EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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WEST GERMANY
Tightening the rein on exporters
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World News

Baker says he will sell disputed shares

US Secretary of State James Baker said he would sell his holdings in the Chemical New York Corporation bank holding company and other publicly-traded companies to avoid any perception of a conflict of interest. Page 6

Bank scandal

Greek Prime Minister Andreas Papandreou acknowledged for the first time that he had met and received letters from banker George Koskotas, who is at the centre of a bank scandal which has shaken the Socialist Government.

North trial

The future of the trial of Oliver North, former White House aide, over the Iran-Contra affair is looking increasingly uncertain after the judge trying the case refused to endorse a deal between the Bush Administration and the independent special prosecutor over the admissibility of secret evidence. Page 6

Afghan rebels mass

Tens of thousands of Afghan Mujahideen resistance fighters were massed around Afghanistan's key cities, including Kabul, the capital, as the last day of the Soviet occupation of their country drew to a close. Page 24

Recruit inquiry

Further arrests in connection with the deepening Recruit political funding scandal were possible, said Mr Masami Takatsuji, Japan's Justice Minister. Page 24

Boeynants freed

Family of kidnapped former Belgian Prime Minister Paul Vanden Boeynants paid a ransom of more than $1.78m to his abductors before he was freed according to Belgian police. Page 2

Lima assassination

Saul Cantoral Huamani, secretary-general of the powerful Peruvian Miners' Federation, was found assassinated in a Lima suburb. Page 6

Basque reform

The Spanish Government agreed in principle to hand over to the regional Ertzaintza police force more control in the Basque country in place of the Civil Guard and the national police force. Page 4

Gandhi poll blow

Latest Indian opinion poll showed that if the opposition could unite in the coming general election to the point of putting up a single candidate in each constituency the ruling Congress I Party of Rajiv Gandhi would be defeated. Page 4

Canal plan revived

A centuries-old plan to build a trans-oceanic canal through Nicaragua has been revived by the Sandinista Government. Page 6

Taiwan defector

Taiwan's Defence Ministry concluded that an air force pilot whose fighter aircraft crashed in China's Guangdong Province apparently defected because of family and health problems. Page 4

Oil rig rescue

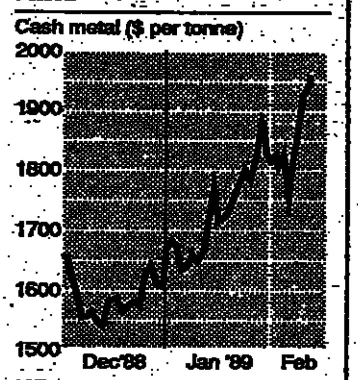
Helicopters winched 29 crew to safety from a North Sea oil rig in the line of a storm-damaged tanker drifting 70 miles off the Netherlands.

Business Summary

GM boosts net profits to record $4.9bn

GENERAL MOTORS announced that it had boosted its net profit by 36% in 1988 to $4.9bn, easily surpassing the previous record earnings of $4.5bn which it reported in 1984. The new earnings record was seen by General Motors officials as an important symbolic milestone in the company's revival from its managerial and marketing setbacks in the mid-1980s. Page 25

ZINC prices on the London Metal Exchange registered their highest closing level again yesterday, despite running into profit-taking late in the afternoon. The cash high grade price ended $20 up at $1,960 a tonne, while the three months price advanced $30 to $1,867.50 a tonne. Commodities, Page 36



HOUSE of Representatives is set to approve a bill requiring major foreign investors to report their holdings to the US Government in a vote next week, Elliot Richardson, a former US Attorney General, warned. Page 6

GENERAL Electric Company defeated an attempt to force it to sell to Plessey its half-share of their joint telecommunications company GPT. A UK High Court judge granted GEC a declaration that Plessey was not entitled to exercise an option in the GPT agreement compulsorily to buy out GEC's 50% interest. Page 8

TOYOTA executives are to visit the UK at the end of February to examine potential sites for the Japanese automotive group's planned £600m ($1,056m) European car assembly plant. Page 9

CHELTENHAM & GLOUCESTER, the UK's 9th largest building society, cut its mortgage rate to new borrowers to 12.75per cent from 13.5 per cent. Page 8

HUHTAMAKI, Finnish packaging and consumer products group, and Soviet manufacturing organisation Rostorgtehnika signed a letter of intent on setting up a joint venture to produce food service disposables. Page 6

EUROPEAN COMMUNITY foreign ministers agreed in Madrid to seek common EC rules controlling exports of chemicals and equipment that could be used to make chemical weapons. Background and story, Page 24

BANKERS TRUST has set up a London-based equity broking group specialising in the Pacific Basin, marking a step into the equities market for the New York bank. Page 30

HOOGOVENS, Dutch steelmaker, acquired a 30% stake in Namascor, a specialty steel processor jointly owned by several companies. Page 28

ATLANTIC RICHFIELD, one of the largest US domestic oil groups, plans to increase capital spending by 30 per cent in the current year to $2.6bn from $2bn last year. Page 26

CANADIAN PACIFIC, Montreal-based conglomerate which has been spinning off non-core businesses, reported a 34% decline in net fourth quarter earnings. Page 26

Ayatollah Khomeini calls for the head of Satanic Verses author

By Victor Mallet in London

AYATOLLAH Ruhollah Khomeini, the Iranian leader, yesterday called on Moslems of the world to execute Mr Salman Rushdie, the award-winning Indian-born British author, because of his controversial book *Satanic Verses*.

The message, reported by Tehran Radio, provoked immediate dismay and condemnation from the British authorities in London, where Mr Rushdie lives.

The book, whose title refers to verses removed from the Koran by the Prophet Mohammed on the grounds that they were inspired by Satan, has already prompted angry reactions from some Moslems around the world.

Six people have died in disturbances linked to the book in Pakistan and India since Sunday.

The riots, which in some quarters have been attributed to local political rivalries as much as to religious objections, were also in protest at the publication of the book in the US, which Mr Rushdie plans to visit.

Mr Rushdie and his agents were last night deciding whether to cancel the tour.

The widening protests against the book, which has been banned in some Moslem countries, began in Britain where public demonstrations at which copies of the book were burnt, were organised by the UK's Islamic community.

Mr Rushdie's first book, Midnight's Children which was based on the partition of India and won him the coveted Booker McConnell Prize for Fiction in 1981, established him as an important literary figure.

Ayatollah Khomeini, who is thought to be aged 86, was quoted as saying:

"I inform the proud Moslem people of the world that the author of the *Satanic Verses* book which is against Islam, the Prophet and the Koran, and all those involved in its publication who were aware of its content, are sentenced to death. I ask all the Moslems to execute them wherever they find them."

Mr Rushdie said last night that he was taking the threat very seriously. Earlier he denied that his book was blasphemous and said he doubted whether anyone in Iran had read it in its entirety.

The book is published in Britain by Viking, part of the Penguin group, whose parent company, Pearsons, also owns the Financial Times.

Sir Geoffrey Howe, the British Foreign Secretary, yesterday expressed "real concern" over the reports of the Ayatollah's statement.

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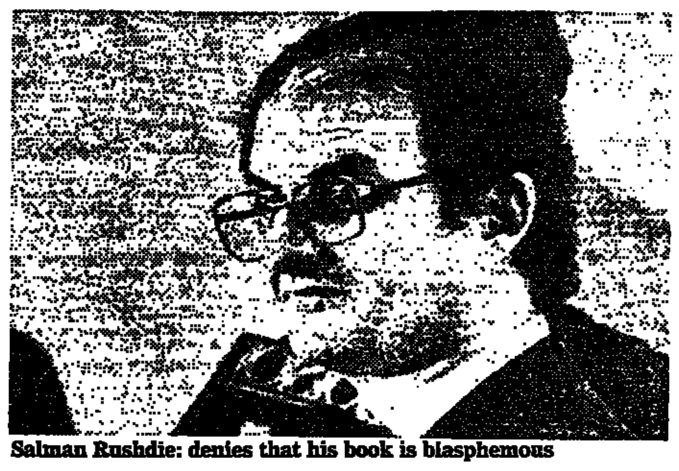

Salman Rushdie: denies that his book is blasphemous

Union Carbide agrees $470m compensation for victims of Bhopal

By James Buchan in New York and David Housego in New Delhi

UNION CARBIDE, the US chemical group, has agreed to pay $470m in compensation to victims of the Bhopal gas disaster, ending four years of litigation over one of the worst industrial accidents in history.

The settlement ends all criminal and civil suits brought against Union Carbide in the wake of the 1984 leak of poisonous gas from its Bhopal plant in central India which killed more than 2,500 people and seriously injured more than 30,000.

The Indian Supreme Court, in a surprise ruling, ordered both the US group and the Indian Government – which has been representing Indians suing for damages – to accept settlement at this figure. The ruling involves both sides in paying their own costs and the US group paying compensation by the end of March.

"We are pleased that this will now provide for the care and rehabilitation of the victims and their families and a fair resolution of all issues," Mr Robert Kennedy, Carbide's chairman, said yesterday.

On Wall Street, the settlement was seen as surprisingly favourable to the company. "It's an incredibly reasonable settlement," said one New York brokerage analyst. Carbide stock, which has been one of the best performers on Wall Street this year, rose $2¾ to $31½ in morning trading.

The deal will trim only about $70m off profits at the third largest US chemicals company, which is enjoying boom conditions in its main ethylene and polyethylene businesses. Wall Street believes that the company has put aside more than $200m in 1985 and 1987 in a reserve fund to meet Bhopal costs and has insurance cover of roughly the same amount.

In a statement, Carbide said the settlement would result in charges of less than 50 cents a share, or $67.8m, to its 1988 profits, which were a record $720m or $5.31 a share.

Reaction in India to the settlement was more mixed. Mr Rasool Ahmed Siddiqui, the minister responsible within the Madhya Pradesh state government, welcomed the judgment and said that an effective scheme for distributing the compensation would soon be devised.

But an opposition leader in the state called it "a surrender of the truthful rights of gas-affected people to the multinationals."

The Supreme Court took the decision to impose the settlement because of what Chief Justice R. S. Pathak called "the pressing urgency of a substantial and immediate relief to the victims." He described the compensation as a "just, fair, equitable and reasonable sum," and spoke of the need of urgency in obtaining a settlement because of the acute suffering of the victims.

There has been a growing concern in India that prolonged litigation was depriving those who had suffered from the disaster of assistance which they desperately required.

The Indian Government had been seeking more than $3bn in compensation in part because of the belief that a multinational could be squeezed into paying more. Failure by either side to accept the court ruling could have resulted in the court deciding against them.

Official compensation in India for victims of rail or other accidents usually ranges from Rs2,000 ($127) to Rs10,000. Yesterday's award would give them substantially more than this.

For Carbide, yesterday's settlement ends more than four years of great uncertainty. The Connecticut company, which has always rejected liability for the accident at its Indian affiliate, had originally offered $350m to compensate the victims. Negotiations with the Indian Government broke down in late 1987, though distant contact was maintained through last year.

Criminal cases had been brought in India against Mr Warren Anderson, former chairman of Union Carbide, and other directors of the company. Apart from the main civil suit being contested in the Supreme Court in Delhi, about 500,000 civil cases had been lodged with local courts in Bhopal.

The current hearing in the Supreme Court involved an appeal by Union Carbide against a high court award of $192m in "interim compensation." The US group contested this on the grounds that such a ruling pre-judged the final outcome of the case.

Crash jet's starboard engine cleared of faults

By Michael Donne, Aerospace Correspondent in London

THE investigation into the Boeing 737-400 of British Midland Airways which crashed on the M-1 motorway on January 8, killing 46 people, has cleared the right-hand (starboard) engine of any faults, and of any suspicions of crossed wiring which might have contributed to the accident.

As a result, the Civil Aviation Authority has told all operators of 737-300s and 400s they no longer need to carry out the more frequent "engine health monitoring checks" ordered after the crash, and can return to normal maintenance procedures.

This effectively clears Boeing of any suspicion of faulty manufacturing procedures with the 737s, such as crossed wiring.

It was the right-hand engine which the pilot shut down just prior to the crash, although passengers had reported a fire in the left-hand (port) engine.

As a result, there were fears of a possible malfunctioning of the fire-warning system in the crashed aircraft, perhaps due to crossed wires.

That in turn led to worldwide checks for crossed wires and other possible faults on all the 500-plus Boeing 737-300s and 400s in service (mostly the former), with increased frequencies of checks on engine electronic systems also being ordered by the Civil Aviation Authority and the US Federal Aviation Administration. In

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Bush denies need for tighter monetary policy

By Peter Riddell in Washington, Janet Bush in New York and Simon Holberton in London

PRESIDENT George Bush has rejected any further tightening of US monetary policy at present, saying he was not "overly concerned about inflation."

His remarks underline differences in policy priorities between the Administration and the Federal Reserve Board at a sensitive time. The markets are watching closely to see if the Fed intends to tighten policy after a meeting last week of its Federal Open Market Committee.

Expectations of tightening have increased after Friday's figures pointing to an acceleration in producer prices, a round of rises in bank prime rates and yesterday's slightly higher-than-expected retail sales figures.

The main immediate reaction to the president's remarks came in the foreign exchange markets where the dollar fell against the West German D-Mark and the Japanese yen. The expectation of higher short-term interest rates has been the key factor attracting money into the dollar recently, and yesterday's selling reflected a belief that the President's stance will make it more difficult for the Fed to tighten monetary policy further.

European dealers said the proximity of Friday's US trade report for December also prompted caution on the foreign exchanges. In London, the dollar shed more than 2 pfennigs to close at DM1.8485 from DM1.8700 on Monday

Speculation about another rise in official West German interest rates, after news that German wholesale prices rose 1.7 per cent in January and were 5.1 per cent above the level of a year earlier, also weighed on the US currency.

The council of the Bundesbank, the West German central bank, meets tomorrow, and monetary conditions in Germany are expected to be high on its agenda. Officials said it was unlikely that the council would sanction another rise in West German interest rates for purely domestic reasons but if the Fed were to raise its discount rate then the Bundesbank would have to follow suit.

After disappointment with last Thursday's budget, which was seen as a complacent presentation, Wall Street had already begun to question the anti-inflationary resolve of the Administration and the Fed.

Speaking to the Wall Street Journal, the President said: "I have not been overly concerned about inflation. I did not like those numbers [the producer price figures], but I've also been dealing with these numbers long enough to know that there's an anomaly. Sometimes you're up there for one month and then it turns totally around the next month."

Mr Bush said he should not be setting "a goal of how much inflation is acceptable. I'd like to keep plugging away to get it on down further." After repeating that he was not "far apart at all" from the views of Mr Alan Greenspan, the chairman of the Fed, Mr Bush then contradicted the Fed's view that current growth rates are not sustainable without higher inflation.

Amstrad, Nixdorf announce serious financial setbacks

By Andrew Fisher in Frankfurt and Hugo Dixon in London

TWO OF Europe's leading computer groups – Amstrad of the UK and Nixdorf of West Germany – announced serious financial setbacks yesterday.

Amstrad, the high-flying British consumer electronics company headed by Mr Alan Sugar, stunned the London stock market when it reported sharply lower profits for the six months to the end of 1988 and said matters would not improve in the next half year.

Troubled Nixdorf said it was slashing its dividend on the quoted preference shares and making no payment at all on its voting shares after a slump in profits during 1988.

A worldwide shortage of memory chips – key components used to make computers – was one of the main problems faced by both groups.

Amstrad's pre-tax profits for the half-year fell 16 per cent to £75m ($131m). Turnover dipped slightly to £349m (£351m).

Nixdorf, once a high flyer on the German corporate scene, was hard hit last year, not only by higher memory chip costs, but by falling prices for its computer products and a sharp rise in labour expenses. Thus preference shareholders will receive only DM4 ($2.15) a share against DM10 the previous year.

Mr Klaus Luft, Nixdorf chairman, refused to be drawn at this stage on the extent of the profits slide. He also dismissed reports that the company was vulnerable to a takeover.

Asked if Nixdorf would report a profit of under DM10m this year, he said the reduced dividend would cost a net DM22.4m. To meet this, the group would have to report a pre-tax profit of at least DM35m.

Nixdorf was "absolutely dissatisfied" with last year's profits, Mr Luft said. Margins had collapsed and it was impossible to say how they would develop in 1989, though the rise in computer chip costs could ease off near the year-end. Thus 1989 would also be difficult "with a particularly strong challenge on the earnings front."

Pressed on the size of extraordinary profits from property sales, Mr Luft said these would mostly go into special provisions to cover reorganisation and development.

However, Mr Mark Hawtin, an analyst with Ark Securities in London, reckoned extraordinary profits from property sales at the end of 1988 in Frankfurt and Stuttgart totalled DM55m. "Obviously, it is still very unclear what the profit picture will look like."

Nixdorf's state contrasts with its previous sharp growth. In 1987, net profits rose by 19 per cent to DM264m. Last November, Mr Luft said he did not expect Nixdorf to approach that level again until the early 1990s.

Lex, Page 24; Wizard loses his magic, Page 25

MARKETS

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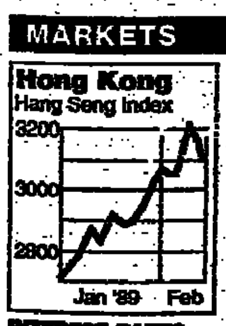
Hang Seng Index



INTEREST RATES
US lunchtime
Federal Funds 9⅜% (9¾)
3-mth Treasury Bills: yield: 8.828% (8.841)
Long Bond: 97$\frac{21}{32}$ (97$\frac{1}{32}$)
yield: 9.067% (9.061)
London
3-month interbank close 13% (12$\frac{31}{32}$)

STERLING
New York closing
$1.7735 (1.7545)
London:
$1.77 (1.7485)
DM3.2725 (3.27)
FFr11.13 (11.125)
SFr2.7775 (2.7775)
Y224 (224.5)

DOLLAR
New York closing
DM1.84375 (1.8665)
FFr6.2725 (6.351)
SFr1.557425 (1.58725)
Y126.275 (128)
London:
DM1.8465 (1.87)
FFr6.2875 (6.3625)
SFr1.5885 (1.589)
Y126.55 (128.4)

GOLD
New York latest
Comex Apr
$390.2 (389.7)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,281.25 (-1.25)
S&P Comp.
293.27 (+0.73)
London:
FT-SE 100
2,049.1 (+16.4)
World:
144.43 (Mon)
Tokyo
Nikkei Ave
31,982.89 (-2.43)
Frankfurt
Commerzbank
1,678.4 (-1.8)

OIL
Brent 15-day (Argus)
$16.05 (+0.20) (Mar)
West Tex Crude
$17.565 (+0.20) (Mar)

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US 'insiders' prepare to bargain on budget deal

Richard Darman, US Budget Director, is one of the leading personalities in the forthcoming talks between the White House and Congress to strike a deal on President Bush's budget
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EUROPEAN NEWS

EC to press US on Middle East peace action

By David Buchan in Madrid

THE EUROPEAN Community will today start a new push to convince the US administration of the merits of an early international peace conference on the Middle East.

Mr Francisco Fernandez Ordonez, the Spanish Foreign Minister, was yesterday given the go-ahead by his EC counterparts at a meeting here to try to put new life and focus into American policy in the Middle East, when he meets Mr James Baker, the US Secretary of State here today.

Sir Geoffrey Howe, the UK Foreign Secretary, said that the Twelve now recognised that they had a role to play in Middle East peacemaking. His comments came after he and the EC's other foreign ministers had heard Mr Fernandez Ordonez report on the discussions he and the French and Greek foreign ministers had last week in Cairo, Amman and Damascus.

But EC ministers also stressed the need for continuing contacts with the US and Israel, Sir Geoffrey said. Mr Fernandez Ordonez confirmed that the Community's current troika of Spain, France,and Greece – representing present, future and past presidencies of the EC – would seek a further meeting on Middle East issues with Mr Baker, perhaps at the opening of the Vienna conventional arms control conference next month.

It is also mooted that Mr Yitzhak Shamir, the Israeli Prime Minister, might return from a forthcoming trip to the US via Madrid to meet the EC ministerial troika, despite the fact that Spain and Greece lack full diplomatic relations with Israel.

● Denmark yesterday accused fellow European Community countries of undermining sanctions against South Africa and demanded further study of trade links with Pretoria for proof of this.

After meeting EC counterparts, Mr Uffe Ellemann-Jensen, the Danish foreign minister, said "some other countries appear to have taken up the drop in trade with South Africa by Scandinavia countries and the US", but he refused to speculate which countries might have increased their trade.

Other diplomats said the Danish minister's charges seemed to relate more to EC exports, which increased 7 per cent in 1987 after declining since 1983, than to imports which are affected by existing EC sanctions and restrictions on buying south African iron and steel, and gold coins. EC imports fell from Ecus 9.4bn in 1985 to Ecus 5.4bn in 1987.

But Mr Fernandez Ordonez said further study would be carried out into Mr Ellemann-Jensen's allegations. Meanwhile EC ministers approved a report on behaviour of some 247 EC companies with nearly 100,000 black employees in South Africa. The report said the EC companies had helped to break down segregation at work and so help "the dismantlement of apartheid by peaceful means".

W German wholesale prices up

By Haig Simonian in Frankfurt

NEW figures for West German wholesale prices in January showed their highest year-on-year rise since July 1982, pushing up some inflation forecasts and triggering renewed speculation about German interest rates after last month's half-point rise in key rates.

Wholesale prices rose by 1.7 per cent in January against December, and were 5.1 per cent higher than the same time last year, the German statistical office said yesterday.

Separately, the Finance Ministry announced an increase in the interest rate on Bundesobligationen – five-year federal savings bonds – to 6.55 per cent from 6.40 per cent.

The wholesale price figures, which follow a year-on-year rise of 3.5 per cent in December, have prompted suggestions that German inflation may overshoot the government's 2-2.5 per cent price rise projection this year. West German inflation rose by some 1.2 per cent in 1988.

The Bundesbank dampened speculation about an interest rate rise. It stressed it was pursuing a long-term strategy on interest rates which would not be deflected by figures for one month.

Last month, the Bundesbank lifted the key discount rate to 4 per cent and the Lombard emergency funding rate to 6 per cent. Since then, rates for securities repurchase agreements (repos), an important short-term instrument, have largely stayed below the Lombard rate.

Bankers are looking closely at today's repo auction, which may see rates rise above the 5.70-5.95 per cent at which liquidity was allocated at the last tender.

Ransom frees former Belgian PM

By Tim Dickson in Brussels

MR Paul Vanden Boeynants, the kidnapped former Belgian prime minister, has been freed after his family paid his abductors between BFr 50m and BFr 80m (£725,000 and £1.16m), Belgian police said last night.

Mr Vanden Boeynants, 70, was released late on Monday night near the railway station in Tournai not far from the border with France, exactly a month after he disappeared from outside his Brussels home.

The deputy Belgian prosecutor, Mr Andre Vandoren, said Mr Vanden Boeynants had been in a car, blindfolded, for "several hours" before being dropped off, and was then driven by a taxi to his house.

Early indications were that, while his detention was "an unpleasant experience", he was in good health and had been treated well.

Vital medicines which he had been taking were supplied, the vegetarian diet of the meat millionaire had been respected, and he had even been given a pipe to replace the one he had apparently dropped in trying to fend off his attackers at the time of the kidnap.

The mystery surrounding the disappearance of Mr Vanden Boeynants, twice prime minister in the 1960s and 1970s, was heightened by the fact that in 1986 he had been convicted of tax evasion and was more recently under investigation for allegedly taking bribes while at the Defence Ministry (an accusation which he vehemently denies).

Mr Vandoren yesterday ruled out speculation that Mr Vanden Boeynants had staged his own disappearance, but police appear to have little idea about the identity of his captors or where he was held.

The presumption still is that the hitherto unknown Socialist Revolutionary Brigade, which sent Mr Vanden Boeynants' identity card to a local newspaper, is responsible for the crime, but whether its claimed political motivation is genuine remains to be seen. Police suspect the group may be a front for common criminals.

Paul Vanden Boeynants: kidnap riddle

Confused statements on multi-party system reflect internal turmoil

Fear of poll defeat haunts Hungarian party

Leslie Colitt reports on the dilemmas confronting the divided leadership of the Communist party

MANY HUNGARIANS were left bewildered this week after a series of contradictory statements by the leadership on the future of the multi-party system in Hungary.

While the majority of the Communist party central committee endorsed the "pluralisation" of the political system in a multi-party framework, Mr Karoly Grosz, the party leader, warned against groups and parties which were using "extremist tactics to try to destroy" the party.

Addressing the central committee, he noted that parliamentary elections next year would be an important step toward a multi-party system but cautioned that the transition phase would take a "long time." Co-operation with other political groups was only possible if they accepted socialism, Hungary's membership in the Warsaw Pact and aimed to prevent a "worse crisis" in Hungary. Later,in a television interview, Mr Grosz cited only the benefits of the multi-party system which would "control" and compete with the Communist party.

The confusion among Hungarians was complete when Mr Miklos Nemeth, the new Prime Minister, said the Communist party would have to accept an election defeat in a multi-party system "for which the party alone would be to blame."

Behind the clash of contradictory remarks by Hungary's leaders were more than just tactical considerations or "political differences" between Mr Grosz and the politburo's leader reformer, Mr Imre Pozsgay, over the pace of the reforms.

Hungarian political analysts note that the chief dilemma facing the leadership is the party's own internal democratisation. Although this was one of the stated aims of the congress last May, little has been achieved. The politburo still presents its conclusions to the central committee for approval and rank-and-file members have little influence on policy.

What has changed, however, is that a greater variety of views is tolerated. This reflects the party's division into a pro-reformist wing strongly leaning toward social democracy as well as advocates of gradual change or no change at all.

Mr Endre Gömöri, a political analyst on the party weekly, Magyarorszag, noted recently that after becoming leader last year, Mr Grosz said that although he advocated the one-party system he recognised the "possibility" of a multi-party system – under the condition that there would be no Social Democratic party.

Meanwhile, however, a pro-to-Social Democratic party was formed and is waiting in the starting blocks to contest next year's elections. Mr Gömöri said this presented the Communist party with its greatest challenge of all. The resurrection of the Social Democrats puts into question their forced merger with the Communist party in 1948.

"Thus the present ruling party could break up into two camps which would have unseen political consequences"

Mr Gömöri noted that Mr Rezsö Nyers, father of the Hungarian economic reforms, former Social Democrat and member of the politburo since last year, posed the key question: Was the Communist party capable of "altering its character" and endorsing the values of social democracy? If so, a Social Democratic party would not have to be constituted and the resulting "political crisis" this would entail could be averted.

But first Mr Gömöri said the ruling party would have to guarantee inner-party democracy. Most important, though, the Communist recognition of the multi-party system must not be a "tactical ruse" but would have to take into account the consequences – in other words, it must be prepared to accept an electoral defeat.

'Rod War' takes its toll in Ireland

By Kieran Cooke in Dublin

TODAY, as every angler worth his or her tackle box knows, is the start of the trout fishing season in Ireland.

Normally foreigners and locals would be enthusiastically casting their lines on what are regarded as some of the best river and lake fishing waters in the world.

Boatmen would be taking the visitors out. The hotels would be booked solid, particularly in the west. The bars would echo to a thousand fishing stories.

But these are not normal times. In January 1988 the Irish Government introduced new fishing licence fees. The result has been the so-called Rod War, with Ireland's anglers refusing to pay the new charges, and the Government insisting that the regulations must be obeyed.

Everyone thought the dispute would be settled by now. But the two sides are as far apart as ever.

For the anglers, a tough and canny breed, it is all a matter of principle. Their forefathers fought the old British rulers for free fishing rights. The anglers say they have spent, through local angling clubs, considerable sums to maintain fish stocks in the general environment.

Why should they now make payments to a Government which, they say, has done nothing for angling, a sport which attracts 200,000 anglers from abroad each year who contribute some I£50m (£41m) in tourist revenue?

The anglers also fear that the Government is intent on opening up Ireland's inland waters to the fish farming industry.

The Government says anglers must make their contribution to the Exchequer. At one stage, a Roman Catholic Archbishop was called in to mediate. The Government lowered the licence fees being charged to I£40 per annum.

But the anglers have refused to yield. "Licensed Anglers not Welcome Here" signs are still up round some western lakes.

The tourists, perplexed by the whole affair, are staying away. Some boarding houses and hotels say they will be bankrupt if the dispute is allowed to go on for another fishing season.

Mixing metaphors slightly, an English tour operator expressed the general feeling. "If the dispute is not settled soon then angling holidays in Ireland will be a dead duck."

Rome prepares its case for steelworks reprieve

By John Wyles in Rome

THE ITALIAN Government has begun trying to assemble a case to argue with the European Commission and other EC governments in favour of delaying the controversial closure of the hot metal section of the Bagnoli steelworks in Naples.

Since the EC's Council of Ministers decided unanimously in December that Bagnoli's furnaces should close at the end of June with the probable loss of around 2,000 jobs, the Neapolitan steelworkers have made their opposition clear through demonstrations and strikes which have often been touched by menacing acts of violence and destruction.

Keenly aware that they cannot plead fear of the streets in any Brussels negotiations, Italian ministers are working on two lines of argument: one political, one commercial.

Having drawn up plans to create around 4,000 jobs in Naples, the political case will say that the acquiescence of the Bagnoli workforce will be more easily won if the Government had at least six months more to explain its job creation plans and to begin implementing them.

More than 1,450 jobs are due to be supplied through an expansion of employment in the Neapolitan operations of Aeritalia, the national aerospace company, while others are expected in telecommunications software manufacturing and through encouraging redundant workers to invest their pay-off money in their own small businesses.

Italy also believes that it can argue that another six months of hot steelworking at Bagnoli would enable the plant to continue exploiting what is still an extremely favourable market for its products, hot rolled coils. But it is stressed that this does not alter the fact that the hot metal section at Bagnoli is structurally uneconomic.

Mr Romano Prodi, chairman of Iri, the holding company responsible for Bagnoli, floated the idea of a six-months reprieve this week, saying that it could be justified "in terms of the continuing, highly favourable market circumstances, which are, none the less, unrepeatable".

In brief, current market prices have turned Bagnoli's loss-making blast-furnace into a very modestly profitable enterprise.

Sweden considers benefit reductions

By Sara Webb in Stockholm

CUTS IN unemployment benefits and a tougher stance on entitlement to early retirement are two of the measures being considered by the Swedish Government to discourage alleged abuse of the welfare state and to help solve the labour shortage crisis.

The Social Democratic government is examining proposals to cut costs and improve efficiency in the job market, put forward by Mr Allan Larsson, the head of the National Labour Market Board.

Mr Larsson wants to cut back on payments to the unemployed, the long-term sick and people who have taken early retirement, and instead devote more resources to enabling more people to work.

The number of people retiring before the age of 65 in Sweden jumped by 17 per cent last year to 350,000, which Mr Larsson sees as an alarming increase. Early retirement costs Sweden an additional SKr22bn ($3.46bn) a year in pension payments, which he says is far too high.

He believes that nearly a fifth of people who take early retirement could still perform useful work, either on a full-time or part-time basis.

It is believed that the acute shortage of skilled and semi-skilled workers ishampering industrial expansion and helping to push up wages.

At the same time, absenteeism has risen to 17 per cent and the Social Insurance Office, which pays out sickness benefits, says it believes 15 to 20 per cent of claims are unjustified.

EUROPEAN NEWS

Madrid to give Basque police force wide powers

By Peter Bruce in Madrid

THE SPANISH Government has agreed, after more than eight years of negotiation, to begin handing over policing of the Basque country to a Basque police force and to begin withdrawing units of the Guardia Civil and the national police force.

The agreement will mean giving wide powers to the Basque police force, the Ertsaintza, and goes a long way to meeting one of the central demands of the Basque separatist organisation, Eta.

It is also especially important now, just as the authorities in Madrid and exiled Eta leaders in Algeria are engrossed in profound ceasefire negotiations.

The removal of Spanish police from the Basque country is one of Eta's prime demands. Others include the incorporation of the province of Navarra in the Basque country and self-determination for the Basques.

The Ertsaintza currently number 3,624 men and women and cover about 30 per cent of the local population. The force is to be expanded to 8,500 by 1992.

At present, Guardia Civil and Spanish national police units in the Basque country number 7,500 men. The Guardia Civil is especially disliked there because it was used during the Franco dictatorship to brutally suppress Basque nationalism.

Under Monday's agreement, the Ertsaintza will be responsible for all criminal activity, including terrorism. That has raised some eyebrows in Spain because the force is assumed to have been infiltrated by Eta and has also recently had to deal with a string of allegations of corruption.

Under the agreement, at least half of the Guardia Civil's officers stationed in the Basque country will be withdrawn. Its *comisarias* or barracks will be cut from 12 to nine. The guard is, however, likely to continue manning border posts and to fulfil other functions with national or supranational characteristics.

The Basque country's right to police itself was first enshrined in its Statute of Autonomy signed in Guernica in December 1979. Madrid will be hoping that Monday's agreement might make it easier for Eta leaders to stop the separatist war, but other Basque political parties have grave reservations.

They fear that while Madrid insists it is not involved in political negotiations with Eta, it will, in fact, be tempted to make concessions to the terrorists. That would undercut established democratic parties in the province and give Eta and its political wing an enormous boost.

Gonzalez defends position with unions

By Our Madrid Correspondent

MR Felipe Gonzalez, the Spanish Prime Minister, yesterday brushed aside calls for his resignation and for a general election, after the Government's failure to win agreement on a social pact with the country's trade unions.

Delivering a State of the Nation adress, Mr Gonzalez instead defended the Government's position in protracted negotiations with the unions since a successful 24-hour general strike on December 14.

The Government, he said, had gone a long way towards meeting union demands for increased unemployment cover, back pay to cover loss of earnings and for increased pensions. It "would be absurd" not to take into account the effects of the union demands in inflation, he said, but the unions had walked away from the negotiating table without offering any concessions.

He did not announce any measures to bump up social spending and union leaders, who have threatened new industrial action since the failure of the talks, called the speech "grotesque."

Both the communist dominated Izquierda Unida and the liberal Centro Democratico y Social (CDS) made it clear they wanted an early election, but Mr Gonzalez appears to want to wait and see how the unions proceed with their renewed industrial threats.

Portuguese patients suffer as minister and medics feud

By Diana Smith in Lisbon

PORTUGAL'S chaotic health system has suffered from a chronic shortage of blood since Ms Leonor Beleza, the Health Minister, banned payments to donors.

There is, meanwhile, no shortage of blood and thunder in the tumultuous conflict between Ms Beleza and the medical profession.

Since she came into office in 1985 the tiny minister, whose surname means beauty, and whose wistful eyes belie a character as steely-sharp as a surgical instrument, has pummelled doctors as single-mindedly as a 15-stone masseur, seeking to make them fit her notion of an orderly health service where cost-effectiveness rules.

That means full-time exclusive medical commitment to the service with no (far more lucrative) private practice, rigid bureaucratic control of clinical services, prescriptions, type and cost of medicine, and tough medical selection, specialisation and promotion methods.

On paper the plan looks sensible enough. This is a country where some doctors have not taken hospital commitments too seriously, and where others have been lavish with the prescription pad, supplying a nation rich in hypochondriacs, as well as a high proportion of people harmed by generations of bad diet, poor housing and hygiene, with innumerable different pills and potions, paid for by the state.

But chronic irascibility between minister and medicine rests more on manner than substance. "Dictator" is one of the more polite terms used by doctors to describe Ms Beleza; even her admirers have to admit she has ordered rather than consulted a profession unused to being bossed, above all by a young woman.

But there are elements that disturb the doctors' organism. They suffer from collective hypertension at being compelled to commit themselves exclusively to the health service on minor civil servant pay too small to support themselves, let alone a family.

They are dyspeptic when non-medical people run hospitals, breaking an ancient tradition of doctor-administrators. They splutter at the appointment of "colonels, bureaucrats or Beleza cronies" to hospitals, cutting corners, doctors claim, and harming treatment.

Doctors treating high-risk diseases fume because they are refused a medical version of danger money.

Surgeons are apoplectic that Ms Beleza's rejection of paid blood donation in a land with no tradition of voluntary blood-giving, has cut supplies to levels that endanger patients' lives.

So, for the second time in a year, 90 per cent of Portugal's doctors went on strike and threaten to strike again if the Minister does not cease her assault on a profession that she considers elitist.

Dr Antonio Machado Macedo, the Dean of the Medical Association and a courtly old-world sort of physician, struggles for composure while being treated like a wayward schoolboy by the authorities.

Recently the Prime Minister's staff returned a letter from the Dean asking for an audience without Ms Beleza's presence, briskly dismissing the letter as "wrong."

Seeking spiritual solace, the unhappy Dean and other doctors called on the Cardinal Patriarch of Lisbon. The Roman Catholic Primate, says Dr Machado Macedo, backs them and disapproves of the Government's "economist" health policy.

Fortified by the tonic of church support, the Dean publicly accused Ms Beleza of lies and "ignoble" manipulation of public opinion in her claim that her cost-effective management saved Es25bn ($162.7m) last year.

If there were savings, the doctors' union said, seconding the Dean, and accusing the minister of rigging figures, they made the health of the people, and the service offered to them, worse not better.

The public groans with the pain of what it says is a worsening, not improving, hospital and clinical service – as underequipped, understaffed and overcrowded as ever, while Ms Beleza and doctors make war.

Upstream campaign for French waterways

Paul Betts reviews proposals to change the declining course of rivers and canals

COMPARED with its glamorous high speed "Trains a Grande Vitesse" (TGV), France's waterway system may seem a quaint anachronism. But there is an enthusiast in the new Socialist Government who believes that this long neglected asset should be given a new lease of life.

The French network of canals and rivers is the largest in Europe – with 8,500km of navigable waters – and it carries a quarter of all goods reaching Paris every year. It also carries 4.5m tourists every year on the famous "bateaux mouches" of Paris and another 250,000 visitors in other parts of the country.

But Mr Georges Sarre, the Socialist minister in charge of waterways and road safety, is convinced that this network – dating back to the days of Louis XIV – has long suffered from underinvestment and neglect. He has now decided to embark on a major campaign to revitalise the country's waterways and try to halt the steady decline in canal and river transport in France.

"The French state has never lived up to its responsibilities. It has always done the strict minimum for rivers and canals favouring instead, in an overwhelming fashion, road and rail transport," Mr Sarre, a close friend of Mr Jean-Pierre Chevenement, the Defence Minister and leader of the left-wing Ceres faction of the Socialist Party, said in his tiny ministry, tucked away in a small cul-de-sac on the Paris left bank.

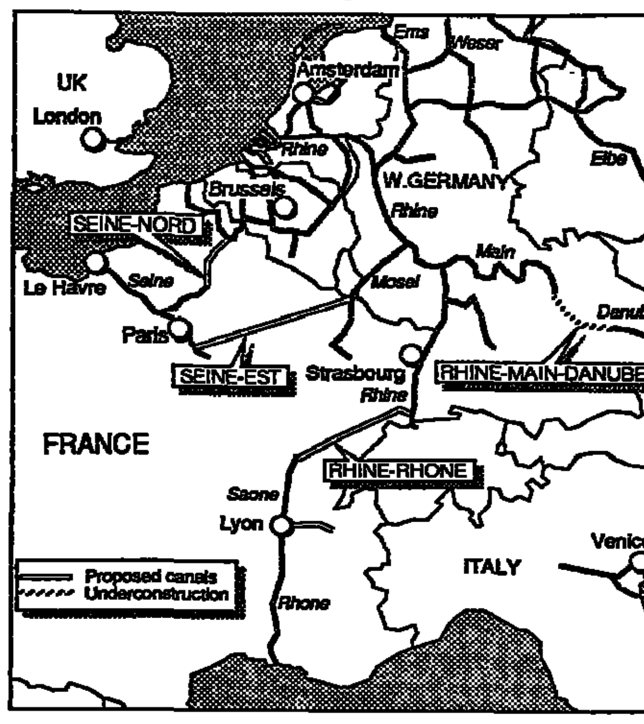
Mr Sarre would now like the Socialist Government to commit itself to an ambitious long-term programme linking the country's two major water arteries, the Seine and the Rhone, with the extensive waterway networks of northern and eastern Europe. It would involve three separate projects: a FFr15.8bn ($2.48bn) canal linking the Rhône to the Rhine; a FFr8bn extension between the Seine and the canals of northern France and Belgium; and eventually another FFr10bn canal connecting the Seine and the Moselle.

But Mr Sarre, who plans to put his proposals before the Cabinet this spring, acknowledges that he faces an uphill task. The Finance Ministry last November made it clear it was opposed to the Rhône-Rhine canal, often dismissed by its critics as a "Loch Ness monster."

The rail and road lobby, headed by France's influential engineering academy, the Corps des Ponts, has also continued to promote successfully both the extension of the country's expanding TGV network, which will soon link Paris not only with Madrid but also with London via the Channel Tunnel, and the expansion of the country's motorway system at the expense of water transport.

However, Mr Sarre believes he has some persuasive arguments. "The TGV is a wonderful achievement, but I think it would be a mistake to think only in terms of high speed trains. Europe has a remarkable network of rivers and canals and there is a major opportunity to develop this system and integrate it into a broad European transport policy," he says.

The problem, he adds, is that France has not sufficiently invested in its waterways during the past 30 years compared with neighbours such as West Germany, Holland or Belgium. "In France, canals have suffered from a quaint, archaic image. We must now try to change this and persuade the country that they are a viable and useful component of France's transport infrastructure which can make important contributions to French agriculture, tourism and the movement of goods."



France, with its 8,500km of navigable waterways has a far more extensive network than neighbouring countries such as Germany with 4,500km, Holland with 4,850km and Belgium with only 1,500 km. But during the past eight years, traffic on French waterways has declined by 35 per cent while it has increased in the same period by nearly 3 per cent in Holland and by 2.4 per cent in Germany. In Belgium it has also dropped, but by a more modest 8 per cent.

In terms of tonnes of goods transported per kilometre, France now trails behind Germany and Holland and is barely ahead of Belgium. Last year only 5.7bn tonnes were moved on French waterways compared with 52bn in Germany, 35bn in Holland and 5bn in Belgium. Although Mr Sarre's investment budget has been increased by 20 per cent this year to FFr300m, Germany is planning to invest the equivalent of FFr2.1bn this year and Belgium the equivalent of FFr1bn.

Mr Sarre claims that there is a wide consensus on the economic viability of linking the Seine to the canals of northern France and Belgium. Some studies have already started which would take about 18 months to complete, he says. At FFr8bn, the project would costs the equivalent of building about 16km of motorway in an urban area and would boost significantly the role and capacity of Paris as an inland harbour.

Although the Government is divided over the construction of the Rhône-Rhine link, Mr Sarre believes it would be a mistake for France to abandon the project at a time when Germany is completing the canal which will link by 1993 the Rhine and the Main with the Danube.

The third French canal project linking the Seine to the Moselle is still not on the drawing board. But Mr Sarre argues that the Government should consider making some initial studies because this canal would complete the integration of the French waterway system with the heart of industrial Europe.

Apart from promoting the three big canal projects, Mr Sarre is also planning to rationalise the bureaucratic structure of the various state waterway agencies including, among them, the Office National de la Navigation and the Compagnie Nationale du Rhone. He would also like the Government to agree to a new long-term fund to finance the development of the country's waterway system which would include contributions from major water users like, for example, *Eléctricité de France* (EdF), the state electricity board.

But Mr Sarre has not waited for the spring Cabinet meeting to launch his crusade to revitalise French inland water traffic. He has already given the go-ahead for a novel water bus service operated by private contractors to ferry tourists along the Seine in Paris. It would differ from the "bateaux mouches" by enabling tourists to hop on at different stops *along the Seine as they do on* the "vaporetti" in Venice. The service could conceivably be extended to the millions of suburban commuters who have to do regular battle with the capital's nerve-racking rush-hour

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OVERSEAS NEWS

China cuts borrowing abroad to curb debt

By Colina MacDougall

CHINA HAS imposed new curbs on borrowing abroad to prevent its foreign debt, already uncomfortably large, from getting bigger.

Measures announced on Monday by Tang Gengrao, director of the State Administration of Foreign Exchange Control, prohibit further borrowing from commercial banks abroad or from China's financial institutions overseas unless the borrower obtains permission from the People's Bank of China, China's central bank.

Last year foreign debt rose by 24 per cent to reach around $35bn, Tang said. Many foreign economists believe it is close to $40bn.

This sudden increase stemmed from the huge demand for foreign exchange credit resulting from the booming economy and the decentralisation which allowed enterprises to borrow without central approval.

Today's key cause of anxiety is that debt repayments are due to peak in the early 1990s. While Tang said that these repayments still fell below the danger line of 20 per cent of annual foreign exchange income, this may no longer be true in a year or two. Furthermore, repayments of yen loans will prove unexpectedly costly because of the rise in the Japanese currency.

This year foreign exchange income is expected to fall as exports of coal and oil are to be cut, Tang pointed out. At the same time, harvest shortfalls mean that imports of grain and fertiliser will have to rise. Last year ended with a trade deficit of $7.5bn, almost double that in 1987 and is expected to rise again this year.

Last November China's State Council set priorities for loans, such as agriculture and infrastructural projects. However, as the China Daily pointed out at the time, the State Administration of Exchange Control is untrained in assessing the real value of such projects, and much money is wasted.

The State Council has also decided that the foreign exchange trading centres, the "swap shops" set up recently where enterprises can legally buy foreign exchange at, in effect, a black market rate – around double the official one – should be more closely supervised. This is intended to make sure funds go to priority projects.

Poll shows united Indian opposition can beat Gandhi

By David Housego in New Delhi

A UNITED opposition would defeat Mr Rajiv Gandhi, the Indian Prime Minister, in this year's general election, according to an opinion poll released yesterday.

The poll shows that the ruling Congress party would be defeated if the opposition parties agreed to put up a single candidate in each constituency. Congress would obtain only 207 seats in a National Assembly of 542 – or only half the number it scored in 1984 when Mr Gandhi won a landslide victory.

If the opposition remains divided, the poll shows that Mr Gandhi would get a bare majority with 274 seats in the new assembly.

The poll was carried out in late January and thus takes into account the damage inflicted on the party's image by its defeat in the Tamil Nadu state elections as well as by the defiance of Mr Gandhi's authority that has come from within provincial parties in the north.

The poll is one of a series of half yearly surveys carried by the Marg group for the magazine India Today. It shows that the Congress party's standing has continued to slip since the last poll in August when it was credited with winning 297 seats if the opposition was divided.

Against this, the most encouraging sign for Mr Gandhi is that his personal popularity has risen against that of Mr Vishwanath Pratap Singh, the former Finance Minister and now leader of the opposition. The margin of those judging him the better leader has risen from 11 per cent in August to 27 per cent in January – reflecting Mr Singh's failure to demonstrate his grip over the opposition parties.

The poll's gloomy news for Congress comes at a time when it is badly demoralised by its setback in Tamil Nadu and by the apparent inability of Mr Gandhi to transform his personal appeal into a vote winning capability for the party. Mr Gandhi campaigned intensively in Tamil Nadu, as he has done in other provincial elections, but his presence failed to avert defeat.

The prospect that he might not win the general election for the Congress party has helped encourage infighting within the provincial parties in the north. Not since the last period of Mrs Gandhi's rule in 1984 or the splits within the Congress in the late 1960s has a prime minister faced such defiance as Mr Gandhi is now experiencing in key states such as Bihar, Madhya Pradesh, Gujarat and Rajasthan.

In Bihar, the second most populous state within the Union, rebel Congressmen in the state assembly are close to forcing the dismissal of the Chief Minister appointed by Mr Gandhi. Mr Gandhi had given him the task of bringing to heel the mafia that controls the state's coal belt and much of its political life.

In Madhya Pradesh dissidents likewise forced Mr Gandhi to withdraw his nominee as Chief Minister when the post fell vacant recently after a corruption scandal.

Both within the Congress party and the upper echelons of the administration, there were hopes that Mr Gandhi would move rapidly to reassert his authority and regain the initiative as the election cannot be postponed beyond December. Until now he has let the situation lie.

Contrasting styles: Soviet paratroopers pictured (left) at Kabul yesterday before flying home and Afghan Mujahideen commandos in Rawalpindi also armed with Russian Kalashnikovs

A hard way to learn your troops can't drive or shoot

Robin Pauley reports on the costly military lessons for all sides in the nine-year Afghan war

THE Soviet troops are out of Afghanistan. A few advisers, a handful of diplomats, some undercover intelligence agents remain. The rest of the occupation force of 115,000 has gone leaving behind more than 1m Afghans dead, half the country's surviving population displaced, cities and villages in ruins, the countryside mined, the economy devastated.

All parties to the war have learned from the nine-year struggle; some of lessons learned by the superpowers have been among the most unexpected.

The Soviet Union, for example, learned that it was not only completely inexperienced and untrained in guerrilla warfare but that it had an Army which could neither drive nor shoot.

Unlike the West, where most children spend time in cars from birth and virtually every teenager learns to drive as soon as eligible, many Soviet children have little experience of cars and very few drive regularly or take their parents' cars at the weekend.

Many conscripts learned the basics of driving on the flat roads of Army camps and quickly found themselves in the rough, unpredictable and mountainous terrain of Afghanistan in trucks and vehicles which they could neither handle properly nor repair off the road. The loss of vehicles in the early years was startling and the Soviets upgraded their driving tuition to take in cross country and four-wheel drive techniques.

Similarly, shooting in the difficult terrain of rugged mountains of the high Hindu Kush, where adjustments have to be made for the thin air, were completely new to the modern Soviet Army trained on the rifle range. In the early years the Soviet shooting was, by their own later admission, miss-and-miss.

The Soviet troops also had to learn to tackle the Mujahideen on their own terrain, something they never really accomplished. The hardened peasants who made up the backbone of the resistance were used to the biting cold, and long practised in trekking for days across stony valleys and mountains, able to exist for long periods on little more than bread. The Soviet troops found the terrain exceptionally hostile and tended to stay close to cities, their bases and the main highways, enabling the guerrillas to move about the countryside relatively easily.

The Mujahideen, fired by religious fervour in a *jihad* (holy war) against anti-Islamic atheists, soon discovered that First World War Lee-Enfield rifles, however accurately used, were no match for the sophisticated Soviet land and air-borne weaponry. Nevertheless, they proved that they were prepared to sacrifice their entire male population; they took huge losses, with more than 1m dead and more wounded and maimed, principally by anti-personnel mines, but refused to give up.

The Soviet Union learned that only a policy of virtual genocide, massive commitment of arms and men and the possible expansion of the war across other borders, particularly Pakistan's, would ensure a victory.

It was a price the Kremlin was not prepared to pay although there are plenty of Soviet generals, smarting at the humiliation of a military retreat at the point of a peasant's gun, who still argue that they should have been allowed to pursue whatever strategy necessary to win.

It took the Mujahideen a long time to learn the necessity of co-operation and even then it worked only occasionally and never nationally, the different groups being intensely jealous and suspicious of each other. Their political sponsors based in exile in Pakistan and Iran were even worse and to this day have failed to find political unity to enable an interim government to be formed once the Soviet puppet regime in Kabul falls.

The US has learned a string of lessons during the war. One was that a range of other policies had to be modified or abandoned in order to support the anti-Soviet side. Most notably, the US had to turn an increasingly blind eye to developments within Pakistan which was the front-line state through which the CIA channelled its financial and weapons support for the resistance. As a result, Pakistan under President Zia ul-Haq's dictatorship raised its nuclear weapons capability far beyond US wishes without suffering a loss in the huge amounts of US aid it received.

The US also learned, extraordinarily late in the day, that Pakistan's aims in Afghanistan were not necessarily in the best interests of either the US or the Afghans.

President Zia and his military intelligence were allocating most support, money and weapons to a group led by Mr Gulbuddin Hekmatyar, an extreme fundamentalist, in the hope of installing him in power in Kabul. He has no power base in Afghanistan and, the Pakistanis calculated, would be a weak, grateful and pliant "client" leader who had promised not to raise the vexed issue of the disputed Afghan-Pakistan border.

The US backed away from Mr Hekmatyar last year by which time his group was the least militarily competent and the least battle-experienced but the best armed leader with the greatest stockpiles of US weapons which could later be used against rival Afghan groups.

"We got that one badly wrong for a very long time," said a senior official US State Department official in the outgoing administration, a comment the more remarkable because other governments and intelligence services had sounded warnings about Mr Hekmatyar for years previously.

The US also learned that peasants fighting a superpower need the highest level of weapons support. In 1986 the US changed its covert operations rules and sent US-made arms to the Mujahideen.

Sometimes this was highly effective. The US sent its most sophisticated shoulder-launched anti-aircraft missile, the Stinger, and it changed the shape of the war by putting the Soviet and Afghan air forces, especially helicopters, out of action. The Stinger has a 60 to 65 per cent hit rate; the Mujahideen achieved over 80 per cent.

Sometimes the policy was less successful. The US sent its newest anti-mine device, the Lightfoot, which is a missile fired across a minefield. It detonates all the mines beneath it to clear a six-foot passage through the minefield. This proved useless in military terms.

Mines were often seeded around armed posts on raised ground. Guerrillas were trapped in the cleared corridor, with mines on each side, and could be picked off by a single machine-gunner in the post. The Lightfoot in these conditions is more useful for leading civilians away in safety, through a minefield than for clearing attack paths.

S African minister meets hunger strikers' lawyers

MR ADRIAAN VLOK, South Africa's minister of law and order yesterday met lawyers for some of the nearly 300 black detainees on hunger strike, AP reports from Johannesburg.

Lt Piet Bothma, a spokesman for the minister, said Mr Vlok spent several hours yesterday going over the files of detainees with several lawyers and he had agreed to meet last night a delegation of six detainees' parents who were brought to Cape Town by a church group.

He said detainees are reviewed and released every day, and 17 were freed yesterday. Lt Bothma said it was dangerous to free detainees who were on hunger strike "because they might go out and fill themselves up and they could die."

Lt Bothma said the only two hunger strikers who had been released were freed on Monday, two days after they had started eating again at a prison in Kimberley. But he said the release had nothing to do with their fast, or the fact that they had ended it.

Some of the strikers have not eaten for 22 days, and 21 reportedly have been hospitalised. Mr Vlok says there are less than 1,000 people being held under national emergency laws which allow indefinite detention without charge. Some of them have been in custody since June, 1986.

Anglican Archbishop Desmond Tutu said he and other anti-apartheid church leaders would meet tomorrow with Mr Vlok to discuss the strike, the strongest challenge yet to the government's policy of detention without trial.

Mr Tutu, who spoke by telephone with Mr Vlok on Monday, described him as "very concerned."

"The very fact that he is ready to meet a delegation of lawyers and church leaders is an indication that he is prepared to listen to different points of view," Mr Tutu said.

Mr Tutu, winner of the 1984 Nobel Peace Prize, called on Anglicans to fast each Monday, Wednesday and Friday in support of the hunger strikers.

The Rev. Allan Boesak, who along with Mr Tutu is one of the country's most influential anti-apartheid clergymen, announced that he is fasting in solidarity with the hunger strikers.

"None of us wish to die," he said in a letter to Mr Vlok. "But if this is the road we must take to make you and your government understand the evil of your ways, we will take it."

The strikers include about 170 detainees at Diepkloof Prison outside Johannesburg, 105 at St. Albans prison in Port Elizabeth and 11 at a Port Elizabeth police station.

Current account surprise

SOUTH Africa had a larger-than-expected R2.8bn ($815.5m) surplus on its balance of payments current account in 1988 after a R6.15bn surplus in 1987, Mr Gerhard de Kock, Reserve Bank governor, said yesterday, Reuter reports from Johannesburg.

Mr de Kock told a business conference in Johannesburg thatlatest estimates showed the current account surplus recovered to a seasonally adjusted annual rate of about R5bn during the fourth quarter of 1988.

"For the year 1988 as a whole, the surplus is now estimated at about R2.8bn, which is considerably higher than most estimates made during the course of the year," he said.

South Africa must run comfortable current account surpluses to repay its foreign debts, following a freeze on new foreign lending.

The current account slipped into deficit in the first quarter of 1988, prompting a series of four interest rate rises and other measures to curb imports and economic growth.

Mr de Kock ruled out any easing in monetary or fiscal policy as the country braces itself for heavy repayments of foreign debt.

Mr de Kock said South Africa could be forced, in the worst case, to repay $1.7bn of foreign debt in 1989, $2.1bn in 1990 and $1.5bn in 1991.

He said about R6bn of capital left the country in 1988 and the flow was arrested only when the central bank raised its base discount rates to commercial banks to 14.5 per cent from 12.5 per cent in November.

Because the net outflow of capital exceeded the current account surplus, gold and foreign exchange reserves suffered, while the rand slipped against other currencies.

Although monetary policy was tightened with the prime overdraft rate rising from 12.5 per cent in January to 18 per cent in October, the broad measure of money supply, M3, increased by 26.5 per cent between the fourth quarters of 1987 and 1988, he added.

Arens visits London as Likud rethinks policy towards Europe

By Andrew Whitley in Jerusalem

MR MOSHE ARENS, the Israeli Foreign Minister, begins a three-day official visit to Britain today amid a rethinking by his right-wing Likud party of its traditionally dismissive approach to Western Europe's latter-day role in Middle East peace-making.

In London, he will hold talks with Mrs Margaret Thatcher, the Prime Minister, and Sir Geoffrey Howe, the Foreign Secretary. A meeting has also been arranged with Mr Neil Kinnock, the Labour leader.

Meeting British politicians newly won over to the sincerity of the Palestine Liberation Organisation's abandonment of the path of violence, and stated willingness to co-exist with Israel, Mr Arens expects to be pressed hard to show a matching flexibility. On this crucial issue he has made clear in advance that the Israeli Government will not budge.

Although this particular visit was hastily arranged by the Foreign Office – to make amends for what was perceived in Israel as a heavy tilt by Britain towards Mr Yassir Arafat – the fact remains that Mr Arens has had far greater exposure to senior European officials since taking office in late December than he has to Americans. The Foreign Ministers of two EC member states, France and Spain, have already passed through Jerusalem in recent days; and Mr William Waldegrave, the UK Foreign Office Minister whose outspoken remarks have drawn so much Israeli ire, is scheduled to arrive at the end of the month – for an unusually long, five-day visit.

In part, this European emphasis is fortuitous, reflecting the fact that policymakers in the US State Department team have yet to sort themselves out. But it can also be viewed as a calculated response to an apparent snub from Washington, in holding off the first Israeli visitors longer than usual in the opening period of a new Administration.

Underneath these diplomatic calculations, a nostalgia can be detected for the "good old days" before the 1967 war when relations with France and Britain were close and untroubled. Some of this latent Israeli desire for a rapprochement with France percolated through to the surface during the recent visit of Mr Roland Dumas, the Foreign Minister.

The new Israeli Foreign Minister, Yitzhak Shamir, has gone out of his way to encourage British hopes of playing the sort of honest broker role between the Jews and the Arabs that Mrs Thatcher has always thought herself especially suited for.

Her special position, Mr Arens said yesterday, permitted the encouragement of ideas acceptable to both sides. In an interview with a British newspaper this week, he described Mrs Thatcher as "a national hero" in Israel, an over-generous description which raised eyebrows in Jerusalem. The Prime Minister's May 1986 visit to Israel may have been the recent high point in Anglo-Israeli relations.

Mrs Thatcher does indeed have a close relationship with King Hussein of Jordan, a regular visitor to London. Whether she will choose to try and persuade the monarch to re-enter the peace process on the basis of the sort of updated Camp David plans the Shamir Government has been airing lately is another matter.

No bail-out for Daewoo

By Maggie Ford in Seoul

A WHITE paper on the future of the indebted South Korean shipyard owned by the Daewoo group is to be issued later this month by the Seoul Government.

Dr Han Seung Soo, Minister of Trade and Industry, has rejected Daewoo's proposal to contribute Won 350bn ($295m) towards a financial rescue plan as inadequate, emphasising that the company must recognise reality.

Daewoo Shipbuilding and Heavy Machinery has debts of Won 1,400bn. Mr Kim Woo Chong, chairman of the Daewoo group, appealed to the Government for help late last year following a big increase in costs because of wage rises and the appreciation of the won.

The minister said however that he was not certain Daewoo had realised that companies could no longer be bailed out secretly as in the past.

Rabin warns Lebanese

MR Yitzhak Rabin, the Israeli Defence Minister warned Lebanese villagers yesterday that Israel would retaliate strongly against any guerrilla attacks from south Lebanon, Reuter reports from Marjayoun, Lebanon.

"Any attack will be repelled by force," Mr Rabin said during a visit to inspect Israeli troops in the zone set up in 1985 to protect its northern border from Palestinian and pro-Iranian guerrillas.

He warned of severe retaliation against villagers for attacks in the zone, patrolled by Israeli troops and allied Lebanese militiamen, or on Jewish settlements over the border.

Troops killed five guerrillas in the zone earlier this month. The killings prompted Israel to urge the US to break off contact with the Palestine Liberation Organisation (PLO) for what it described as a cross-border infiltration attempt.

The PLO said that its renunciation of terrorism did not include attacks on military targets inside the zone or Israel.

Israeli and South Lebanon Army (SLA) militia forces have repeatedly shelled and raided a cluster of villages in the south, mainly inhabited by Shia Moslems, following guerrilla attacks.

More than 70 villagers have been expelled from the zone so far this year after taking part in anti-Israeli demonstrations.

World Bank chief in Manila

By Richard Gourlay in Manila

MR Barber Conable, the president of the World Bank, arrived in Manila yesterday for meetings with President Corazon Aquino and top government officials which are bound to touch on negotiations for new loans from the International Monetary Fund and talks on a multilateral aid package although officials say they are not linked.

Mr Conable, who is returning from meetings in Japan, praised the Philippines for the progress it has made towards economic recovery and commented on the country's ability to combine strong growth with low inflation.

Roh riot warning

President Roh Tae Woo of South Korea blasted the country's police chief for allowing a farmers' protest outside parliament to turn violent, telling him to crack down on rioters or lose his job, Reuter writes from Seoul. More than 15,000 farmers and dissidents had lobbied the National Assembly demanding resistance to US trade pressure.

Pilot's non-defection

Taiwan's Defence Ministry has concluded that an air force pilot whose fighter aircraft crashed in China's Guangdong Province over the weekend apparently defected because of family and health problems – and not from any political motives, Bob King reports from Taipei. The ministry stopped short of calling the pilot's flight to the mainland a defection, however. Peking has similarly refused to label the pilot a defector, probably to avoid complicating its warming but still unofficial relations with Taipei.

Jakarta flooding

About 17,000 people have left their homes in Jakarta, the Indonesian capital, after two days of flooding from the Ciliwung River, a city official said yesterday, AP reports from Jakarta. There had been no reports of casualties, he said. The floods hit Jakarta's eastern districts, mostly the slum areas of Kampung Melayu, Manggarai and Bukit Duri.

Each candidate gets three guns in Sri Lanka's election

Mervyn de Silva describes the dangers for politicians from terrorists and gunmen of various camps

EACH morning at around 10 the large steel gates of 65, Rosmead Place, Colombo, open quite suddenly. The soldiers on the street outside spring into action from behind crudely improvised barricades. A convoy sweeps out: two jeeps, a limousine, a station wagon and another jeep, 15 people in each vehicle save the car. Between them, they carry two AK-47s, several repeater shotguns and an Israeli Uzi automatic.

In the limousine with tinted glass windows is Mr Anura Bandaranaike, opposition leader until Parliament was dissolved just after the December 19 presidential elections. He is still entitled to some privileges. The motorcade is characteristic of his daily campaign rounds for today's general election. He carries a Beretta. "He was a James Bond fan," says an old school friend.

His mother, Mrs Sirima Bandaranaike, a former prime minister and leader of the Sri Lanka Freedom Party, is driven to Air Force headquarters or Galle Face Green, the main oceanside park, to take a helicopter to election rallies.

She has good reason to be security-conscious. At a recent small town rally in Hingurakgoda, 100 miles away, hand grenades and home-made bombs were flung at the platform a few minutes after she took her seat. More than 40 people were injured, including her secretary who was sitting next to her.

"This is not an election. It is a small war," she said. Did she suspect the JVP, the extremist Marxist-nationalist Sinhalese group which used an indiscriminate campaign of terrorism to deter people from voting in the presidential election, reducing turnout to an all-time low of 55 per cent? It is also boycotting today's polls.

"No, not the JVP," says Mrs Bandaranaike who was narrowly beaten by Mr Ranasinghe Premadasa, former prime minister, in the presidential race. "Who benefits if I am out of the campaign? Who is asking for a two-thirds majority?" she asks, referring to the ruling United National Party.

On the basis of the presidential election results the UNP could win 110 to 120 seats in the 225 seat Parliament, which will be elected for the first time on a proportional representation system. The SLFP would reach the 75 to 85 mark.

President Premadasa, a tough task-master, has cracked the whip. He dropped nearly 40 members of parliament including many ministers from the nomination list because of "poor performance".

He is a non-establishment Sinhala-Buddhist and so far has successfully projected a populist image. His pet project is a "poverty alleviation" programme to help 1.4m families, nearly half the population. Although it has sent a shiver through the World Bank and the Sri Lankan business community, it has proved a superb vote-spinner.

He says he wants 150 seats to give him the two-thirds majority to implement this scheme and to abolish "archaic laws".

"You don't need two-thirds majority to pass the budget and nobody will oppose anti-poverty schemes," scoffs Mr Peter Keuneman, an opposition leader. "The truth is that the UNP has got accustomed to arbitrary rule by amending the constitution. Constitutional amendments do need two-thirds approval."

President Junius Jayewardene amended the constitution 16 times to instal what he termed a "constitutional dictatorship".

If the UNP gets a two-thirds majority, Mrs Bandaranaike's party, already demoralised, would probably splinter or join a coalition. This would suit the extra-parliamentary JVP, whose twin aims appear to be to topple the Government and to wreck other legitimate political parties. Of 900 political killings in the past year, more than 300 of the victims have been ruling UNP members. They include ministers, deputy ministers, members of parliament and provincial councillors. In the campaign for today's general election, Mrs Bandaranaike's SLFP has seen nine candidates and more than 30 district organisers and activists murdered.

Politics is a dangerous game in this war-torn and economically ruined island. One result is that there are arms everywhere. Mr Ranjan Wijeratne, the UNP secretary, says the Defence Ministry has issued three guns to each candidate in today's poll. That adds up to 4,000 weapons. Apart from the army, the police, the JVP militants, the 50,000-strong Indian peace-keeping force in the Tamil north, the separatist Tamil Tigers and other militant Tamil groups, there are numerous shadowy armed militias which the opposition claims are state-supported.

The five-year Tamil armed struggle has militarised Sinhala society in the south, transforming its political culture almost beyond recognition.

The minority Tamils, who live in and control the north and who are supported by India, and the even smaller minority Moslems, who live mainly in the east, should win about 25 seats today. If the results mean the ruling UNP has to rely on the minorities for a secure parliamentary majority, it will give further strength to the JVP's accusation of a "stooge" regime dependent on India and the Tamils.

Sri Lanka is in a precarious position. More than anything today it needs a high turnout, producing not only a mandate for a government but also a strong opposition.

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AMERICAN NEWS

High hopes of a budget deal as 'insiders' prepare to bargain

Peter Riddell on participants in the forthcoming talks between White House and Congress and the roles they will play

THE trick is to arrange a context in which several competing politicians can step forward together simultaneously to share what credit and blame there is for something that's going to be at least ambiguous." So wrote Mr Richard Darman, the US Budget Director, three years ago. His views are echoed now by leading Democrats.

One prominent adviser commented, with evident relief, that the budget negotiations are going to be an insiders' exercise this year.

"The President understands Capitol Hill. His negotiators, principally Darman, are trusted by him and can deliver. Under Reagan any deal agreed with us [Congress] was likely to be vetoed by the President or his ideological advisers."

Similarly, Senator Jim Sasser, the chairman of the Senate budget committee, said after the first of a series of informal meetings with Mr Darman on Monday: "I think the White House is being less rigid, more conciliatory than under Reagan. I came away with a feeling of optimism that we can make some progress."

No one doubts that Mr Darman is very clever. The question is has he been too clever? At 45 already a veteran of three former Republican administrations and closely involved in the main financial initiatives of the Reagan era, Mr Darman was directly responsible for shaping the 193-page budget document. The budgetary officials of most departments were informed rather than involved.

The budget contains a number of innovations. Until now the starting point has been the so-called current services baseline, that is the cost of maintaining existing services after adjusting for inflation. Mr Darman proposes using current cash spending levels as a base, with adjustments for inflation and so on identified as increases.

He also plans to freeze a whole block of spending, roughly $136bn, in cash terms, leaving the specific allocation to talks with Congress. Hence even yesterday some agencies did not know what their budgets would be. This saves between $9.6bn and $11.2bn compared with the current services baseline.

These devices have led to a revival of the term "Darmanesque" to describe such attempts to untie budget knots. While Mr Darman has been applying his full conciliatory charm in his dealings with Congress in the past few days – as well as assiduous briefing to ensure a favourable press – he has a reputation for arrogance.

Congressional leaders feel the Administration has won the early initiative by skilfully presenting the good news last Thursday – and hence there is a wariness about Mr Darman's "black box" devices.

But there is also a sense that it may be possible to cut through the current position-taking to deal with issues of substance. In Congress, too, there are insiders who know how to do deals, who are aware of the urgency of the deficit problem and who do not want to be blamed for any failure.

A central role will be played by Mr Leon Panetta from California, the new chairman of the House budget committee. It is significant that he was unopposed for the post, unlike four and eight years ago when his immediate predecessors, Congressmen Jim Jones and Bill Gray, had to fight off several other contenders. The absence of a contest this time reflects respect for Mr Panetta's budgetary expertise after his involvement in the 1985 and 1987 talks. A former Republican, Mr Panetta favours a mix of liberal social policy and fiscal conservatism.

Other budget participants from the House also have considerable expertise, notably Mr Tom Foley, the House majority leader. He is a popular favourite to take over in time as Speaker from Mr Jim Wright, who is under increasing fire from colleagues after the Congressional pay fiasco.

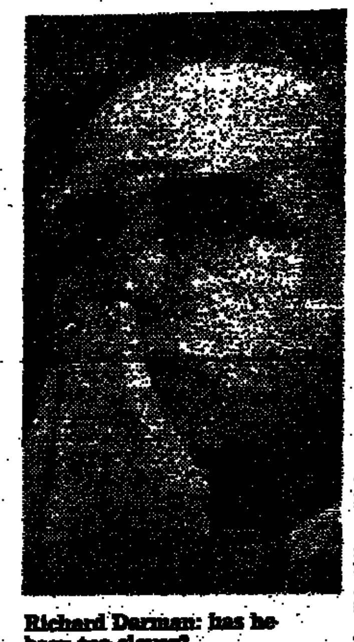
The obvious weak link on the Senate side is Senator Sasser. Despite not having made of a much a mark on financial matters he has just become chairman of the budget committee because two more senior members preferred their existing chairmanships. Senator Sasser is long on quotes; in his Tennessee drawl he noted that the budget contained a thousand points of light but "unfortunately batteries aren't included". But he appears shorter in his grasp of economic and financial issues.

A key role is likely to be played by the highly experienced senior Republican on the committee, Senator Pete Domenici, and by the wily Senator Lloyd Bentsen, the chairman of the Senate finance committee.

Senior Congressional advisers reckon that this group will get on better together than their predecessors. The White House wants to start summit talks as soon as possible.

Despite all the good intentions, Congress is going to be hard pressed to agree its Budget resolutions setting overall limits by mid-to-late April. And decisions are unlikely to be completed by August 25 when revised economic forecasts will emerge, indicating what needs to be done to meet the Gramm-Rudman-Hollings deficit reduction target. So a late summer summit is still likely before the 1990 fiscal year starts on October 1.

But, as Mr Foley said after meeting Mr Darman, unlike previous years "this budget is not dead on arrival. There is a desire on the part of both sides to find a budget solution".



Richard Darman: has he been too clever?

Baker to sell shares in response to pressure

By Lionel Barber in Washington

MR James Baker, US Secretary of State, yesterday bowed to pressure and announced he would sell his holdings in the New York-based Chemical Banking Corporation and other publicly traded companies to avoid any perception of a conflict of interest.

The decision marks a volte-face for Mr Baker. Last week, he told reporters accompanying him on his diplomatic tour in Europe that his request to help form Third World debt policy, while owning stock in a major lender such as Chemical Banking, fell within federal ethics laws.

But following a New York Times editorial yesterday calling on him to dispose of his stock, Mr Baker issued a statement in Rome which accepted the need to sell his stock, valued at well over $250,000.

The statement said: "While I believe this decision goes well beyond what is required or has been recommended, I think it is a correct decision for someone committed to meeting the highest ethical standards."

Mr Baker is the latest casualty of President Bush's drive for higher ethical standards in government aimed at avoiding even the appearance of a conflict of interest".

The campaign has led to criticism of Mr John Tower, the Secretary of Defence-designate who earned $1m in consulting fees from defence contractors over a 30-month period after leaving government. Mr Boyden Gray, White House counsel, also came under fire for drawing a stipend from his family company.

It was Mr Gray who pressed Mr Baker to sell his stock in Chemical Banking, a bank holding company whose subsidiaries have more than $4.5bn in loans to developing countries.

When Treasury Secretary in the Reagan Administration, Mr Baker had retained the stock while excusing himself from any government decision involving a company in which he or his immediate family had a financial interest or seeking a waiver. He had hoped to stick to the same arrangement at the State Department.

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Miners' leader assassinated in Peru

By Veronica Baruffati in Lima

MR Saul Cantoral Huamani, the secretary general of the powerful Peruvian Miners' Federation, was found assassinated on Monday evening in Lima. He is the most prominent public figure murdered during the violence that has swept Peru in the past three years.

He was kidnapped, tortured and taken to a vacant lot where he was shot four times.

The assassins placed a board with slogans supporting the Maoist Sendero Luminoso guerrillas on Mr Cantoral's body, accusing him of backing out of the last miners' strike.

However, Mr Alfredo Aquino, secretary of the union, said the union believed Mr Cantoral was killed by the Commando Rodrigo Franco, which last year claimed responsibility for killing several left-wing Peruvians.

Mr Cantoral led the two miners' strikes last year which cost Peru more than $400m in export revenue. He then led the negotiations with Mr Armando Villanueva del Campo, Prime Minister, which resulted in agreement.

Border plan agreed in Central America

By Richard Johns in San Salvador

PRESIDENTS of the five Central American states meeting in the capital of El Salvador have endorsed a plan for United Nations "verification" of common border security, worked out with Mr Javier Pérez de Cuéllar, the UN Secretary General, in New York last week.

However, they were divided yesterday morning over how commitments towards greater democratisation and a fulfilment of human and civil rights should be monitored.

Nicaragua has insisted that domestic policies should be monitored by an international body under the auspices of the the UN and the Organisation of American States. Costa Rica, El Salvador, Guatemala and Honduras, in varying forms, seek monitoring within a strictly regional formula.

These four states regard the Nicaraguan approach as a means to obtain greater legitimacy for the Sandinista government with the least possible concession towards a more genuinely pluralistic democratic system.

Yesterday, on the second and final day of the summit, the five leaders appeared unlikely to reach definitive agreement on procedures for political verification.

However, it was hoped that some progress towards implementation of the moribund Esquipulas Agreement, concluded in August 1987, could be made, especially on the establishment of a UN-sponsored observer force.

The plan for border verification representing a minimum consensus is that 10 retired senior military officers should be based in each of the five republics with the means and mobility to check compliance.

IN an important concession to opponents, President Daniel Ortega of Nicaragua has said general elections might be brought forward from November 1990 by up to nine months, writes Tim Coone in Managua. This would be part of a process of reconciliation between the Sandinista government and its opposition.

White House to defer decision on MX missile

By Lionel Barber

THE White House said yesterday it would defer a decision on whether to continue building the multi-warhead MX missile or switch to the mobile, single-warhead Midgetman.

The announcement was expected in the light of the Bush Administration's full-scale review of its strategic defence posture and East-West relations.

The MX decision is a key issue, and could determine future bargaining with the Soviet Union on a treaty to reduce long-range nuclear missiles.

But the announcement yesterday means the White House will will not meet a deadline set by Congress for today on making a decision about the MX. The delay could threaten about $350m of funding earmarked for the MX programme which was conditional on the deadline being met.

Several leading congressmen favour the more expensive Midgetman because they consider the 15-ton mobile missile less vulnerable to a pre-emptive Soviet strike.

North case compromise rejected

By Peter Riddell

THE future of the trial of former marine Lt Col Oliver North over the Iran/Contra affair is increasingly uncertain after the judge trying the case refused to endorse a deal between the Bush Administration and Mr Lawrence Walsh, the independent special prosecutor, over the admissibility of secret evidence.

Judge Gerhard Gesell expressed doubts about whether Lt Col North, a former White House aide, could get a fair trial under these restrictions. "It is the right of every citizen to have a fair trial, to present their defence fairly and fully," he said.

The future of the case will now be determined by the US Supreme Court on Friday. It must decide on an appeal by the Justice Department that Mr North's lawyers were liable to disclose secret information seriously damaging to the US.

After court hearings last week, the Justice Department and Mr Walsh agreed to a procedure which would allow the former to object at any time to the disclosure of secrets by Mr North's lawyers – who in turn have strongly objected to these restrictions.

Without formally ruling against this deal, Judge Gesell said he found no basis for giving Mr Richard Thornburgh, the Attorney General, "a seat at counsel table or the right to intervene by way of bits and pieces of affidavits whenever the going gets tough".

If the proposed restrictions on the handling of classified information were adopted, Judge Gesell said he would consider granting a defence request to declare unconstitutional the entire law on the use of secret information at trial.

US retail sales show slight growth

By Anthony Harris in Washington

US RETAIL sales rose 0.6 per cent in value in January after falling 0.1 per cent in December, according to the advance estimate issues by the Census Bureau yesterday.

This is well above the consensus market estimate of about 0.2 per cent, but in line with the underlying trend, and there was no response in the currently depressed bond market. The annualised growth rate between December and January, at 7.7 per cent, was the same as the actual increase over January 1988.

Sales are still growing slightly faster than nominal incomes, but the figures confirm that the great credit-fed surge of demand which was apparent until early 1988 shows little sign of reviving.

Marking the same change in the pattern of demand, the main growth sectors are no longer the high-priced durable goods which dominated during the boom, but non-durables, and especially entertainment and meals out.

The revival in housing activity, after a deep recession lasting more than two years, is reflected in strong figures from hardware, do-it-yourself and similar stores, with sales up 1.4 per cent on the month and 15.2 per cent on the year – nearly twice the general growth rate.

WORLD TRADE NEWS

Rowland expresses interest in Taba hotel

By Andrew Whitley in Jerusalem

MR "Tiny" Rowland of Lonrho and Mr Adnan Khashoggi, the wealthy Saudi businessman, have expressed interest in buying a luxury, Israeli-owned hotel in the disputed border enclave of Taba, at the head of the Gulf of Aqaba.

Israel has agreed to turn the enclave over to Egypt once terms of compensation and access for Israeli citizens are settled. Officials from the two countries are currently in negotiation in Cairo, with the mediation of the US.

Acting as an intermediary between the hotel's owner, Mr Eli Papushado, and Lonrho is Mr Ya'acov Nimrodi, for many years Israel's military attache to Iran during the Shah's reign and a man – along with Mr Khashoggi – whose name figured prominently in the "Irangate" controversy.

Two senior executives of Lonrho were flying back to London from Tel Aviv last night after visiting the five-star Aviya Sonesta Hotel in Taba and holding talks with Mr Nimrodi. A bid for the 326-room hotel, for which its owner is asking $70m (£38m), can be expected shortly.

Sale negotiations going on in Cairo between Mr Paposhado and Egyptian interests represented by Mr Mustafa Khalil, a former Prime Minister, have become bogged down over the price. The Egyptian side is reported to have offered $20m at first, but subsequently improved its offer.

How the new contenders for the Aviya Sonesta, believed to have plans to establish a casino at the site, would reconcile themselves with Cairo's legal requirement that all hotels be majority-owned by Egyptians, is not clear.

The approach to Mr Rowland came only last week. Within days, Mr Martin Bowland, chief executive of the Metropole hotel group, a Lonrho subsidiary, and another aide, had gone to Israel for preliminary discussions.

After Israel agreed in 1978 to pull out of the whole of the Sinai desert region, of which Taba forms a tiny part, the Aviya Sonesta opened in November 1982.

Tasmanian pulp mill controversy sinks into confusion

The project has become an object lesson in how to deter potential investment, Chris Sherwell writes

A controversy threatening a planned A$1bn (£490m) paper and pulp mill in Tasmania has degenerated into confusion as the state's politicians have been besieged by the conflicting interests of Australia's forest industry and conservation lobby.

Apart from exposing the sharp clash of Australian politics, the affair reflects embarrassingly on the country as a location for foreign manufacturing investment, and could end up damaging prospects for its forest products export industry.

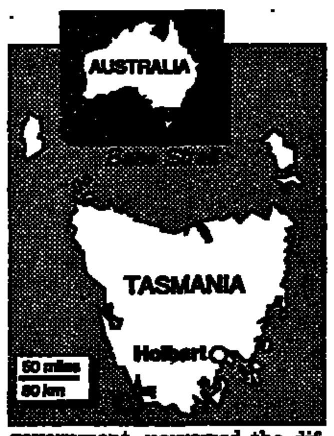
The mill, Australia's largest single manufacturing project to be undertaken by private enterprise, is geared heavily to the Japanese export market, and thus Australia's balance of payments. Because it involves Noranda Forest of Canada as well as Australia's North Broken Hill Peko, it also entails a major injection of foreign capital.

For some 18 months, it was the subject of wrangles between the joint venturers and the Tasmanian government. But last October the project got the go-ahead, and the federal government, in the form of Mr Bob Hawke, the Prime Minister, gave it fanfare treatment, describing it as a project of "major national significance".

Unfortunately, the environmental guidelines were still to be settled, and no one reckoned on the reaction of the powerful Tasmanian environmental lobby and local residents at Wesley Vale, where the plant was to be sited. Now, four months later, the companies are close to walking away from the project in frustration.

At the centre of the controversy is Mr Robin Gray, the Tasmanian premier who heads a Liberal Party government. In January, as part of his plans to call an early election, he suddenly and unexpectedly unveiled stringent environmental regulations for the project, labelled them the toughest in the world and said they were "non-negotiable".

Horrified, the companies declared some of the standards unattainable and said the move threatened the project. They identified 45 objections, but after negotiating with the government, narrowed the differences to four.



The most problematic concerned emissions of dioxin, an organo-chlorine by-product of the plant's bleaching process. The government said there was to be no increase in the ambient level of dioxin in the marine environment. The companies said they could not guarantee this, but if there was an emission, it would be so small as to be harmless to the marine ecology.

As the dispute raged, the government went ahead with legislation for the project containing the guidelines. Mr Gray insisted he wanted the project and that the specifications could be met at little extra cost. The companies said they should be subject to no environmental safeguards which were not operating elsewhere, and again insisted the project was at risk.

Soon reports of discontent within Mr Gray's party ranks emerged, with one minister ready to resign if the specifications were relaxed and others threatening action if the project was lost. As the companies' self-imposed deadline for decision of February 3 drew nearer, the controversy sharpened.

In Canberra, the federal government, controlled by the Labor party and itself worried about the environmental lobby, exploited Mr Gray's problems. Senator Graham Richardson, the Environment Minister, warned that the cabinet could still halt the project if the guidelines were not tough enough – even though key ministers, having already supported the project, are likely to persuade cabinet to approve it.

Adding fuel, the Victorian Labor government said it was calling on two companies, one of them North, to submit proposals for its own paper and pulp mill. Back in Tasmania, the environmentalists kept the heat high with their protests, while the trade union movement reaffirmed its backing for the project.

By the time the deadline arrived, the implications of the companies' threat to pull out apparently hit home. Mr Gray backed down, but inexplicably left the companies to make a remarkable announcement: that legislation clearing the way for the project would be jointly agreed by them and the government, and put before parliament this week.

The announcement, which included a three-week extension to the deadline, provoked outrage from the environmentalists and scorn from Canberra, both of whom said the move undermined parliament. But events since then have compounded rather than ended the confusion.

In the first place, there is no sign this week of any recall of parliament. Second, and in another astonishing reversal, Mr Gray now wants to meet Mr Hawke – but not Senator Richardson – to persuade Canberra to approve the environmental guidelines jointly with him.

Mr Gray's evident attempt to share the political burden foreshadows a Canberra involvement in Tasmanian affairs which Mr Gray has staunchly resisted down the years, and is likely to be spurned by Labor, which is happy to see Mr Gray stew.

According to Senator Richardson, nothing can happen anyway until he sees the so-called "reinterpretation" of the environmental guidelines being decided by the companies and Tasmanian government.

In such circumstances, an early end to this unedifying affair seems unlikely. All sides are so entrenched that a solution which reconciles them looks impossible. The mill has become an object lesson in how to deter substantial investment and jeopardise an industry facing competitive pressure. As an illustration of Australian politics, it is unbeatable.

Kobe Steel to set up US venture

By Ian Rodger in Tokyo

KOBE STEEL, Japan's fifth largest integrated steel maker, has agreed in principle to set up a 50-50 joint venture with USX, the US steel and oil group, to buy USX's ageing engineering steel and pipe works at Lorain, Ohio.

The two companies plan to invest heavily to modernise the works, which produces high-quality bars for the automotive industry.

The move is part of a major trend among the big Japanese steelmakers to establish production bases in the US, partly as a way of following their customers, particularly those in the automotive industry who have set up plants in the US. Honda Motor, for example, has a manufacturing complex in Ohio.

Kobe Steel, the last of the big five Japanese producers to establish a US steelmaking link, said it had been examining ways to serve better the growing needs of Japanese automakers in the US. The company said the move was also part of its strategy to globalise its production, research and development and finance operations.

Warning on US House move over foreign investors

By Lionel Barber in Washington

THE US House of Representatives is set to approve a bill requiring major foreign investors to report their holdings to the US government, in a vote next week, a leading opponent warned yesterday.

Mr Elliot Richardson, a former US Attorney-General and Secretary of Defence, said there was "no realistic prospect" of blocking adoption of the so-called Bryant amendment and he forecast a battle in the Senate this year.

Critics argue that the Bryant amendment – named after its sponsor, Congressman John Bryant of Texas – would frighten off foreign capital to the detriment of the US economy by imposing onerous reporting requirements on acquisitions.

British investors are particularly concerned. In 1988, UK companies committed a record $32.5bn (£18bn) to buy 400 US companies.

This amounted to 2.5 per cent of Britain's gross national product and far exceeded Japanese investment of some $12bn in acquiring US companies.

Mr Richardson, speaking in Washington to the British-American Business Association, a lobby group which aims to protect the free flow of foreign investment, said yesterday there was a "vague apprehension" in the US about the rate of foreign capital coming into the country.

But he said it was vital that the case for foreign investment be made.

The US had relied on foreign capital to fund its industrial revolution, and foreign investment had produced higher-quality goods as well as contributing to US exports abroad.

Mr Richardson said two measures threatened foreign investment.

The first was the Bryant amendment which was dropped from the Omnibus Trade Bill at the last minute last year, only to be revived in the opening days of Congress this year.

Mr Bryant has been helped by Mr Jim Wright, the House Speaker and fellow Texan, who is expected to schedule a floor vote on February 23.

Separately, the Exon-Florio legislation which allows the President to veto foreign takeovers of US companies on national security grounds presents a threat, Mr Richardson said.

President Bush, in the first test of the new law, recently allowed the West German company, Huels, to purchase the silicon wafer manufacturing subsidiary of Monsanto group.

But some 30 other cases are pending before the Committee on Foreign Investment in the US which scrutinises such proposed acquisitions.

Nicaragua revives canal plan

By Tim Coone in Managua

A CENTURIES-OLD plan to build an inter-oceanic canal through Nicaragua has been revived by the Sandinista government.

Mr William Hupper, Nicaraguan Finance Minister, said that with the advances being made toward a peace agreement in Central America, "the time has come to reconsider this historic dream, which would serve the development of the nation and contribute to the progress of Central America, Latin America and the world".

At the beginning of March, a group of Japanese scientists and businessmen are due to arrive in Nicaragua, to discuss work on a feasibility plan for the project.

Mr Hupper said Nicaragua had not yet committed itself to any government or consortium for the project and that proposals were welcome from any foreign companies, governments and scientists.

C & W suffers setback on transatlantic cable

By Roderick Oram in New York

PLANS by Cable and Wireless of the UK to build a transatlantic fibre optic telephone cable have suffered a setback at the hands of the Washington judge who oversees many aspects of US telecommunications policy.

The US partner with Cable and Wireless has been barred from participating in the project by Judge Harold Greene who refused to allow Nynex, the New York and New England regional telephone operating company, to take a 50 per cent stake.

He said Nynex had failed to allay fears it might use its regional monopoly to limit competition in the transatlantic market.

His decision was foreshadowed last autumn when the US Department of Justice recommended to Judge Greene that he deny Nynex approval. Since then Cable and Wireless has been looking for another US partner, although the judge's decision greatly narrows the choices. It has already begun laying the first cable of the Private Trans-Atlantic Telecommunications System.

Judge Greene's approval was necessary because he polices the 1984 anti-trust agreement that broke up the Bell system into seven independent regional companies and AT&T.

"I am surprised Nynex was not allowed to participate under proper safeguards," said Dr Eli Noam of the New York Public Service Commission that regulates Nynex in the state. He said cheap and effective communications were important to the economies of the state and New York City.

Judge Green approved, however, the investment by Pacific Telesis, the West Coast Bell regional telephone company, in a transpacific fibre optic cable consortium. Two factors weighed in PacTel's favour, he said: it would take only a 10 per cent stake and the venture opened a big telecommunications market to US interests.

Finnish-Soviet packaging deal

HUHTAMAKI, the Finnish packaging and consumer products group, and the Soviet manufacturing organisation Rostorgtehnika have signed a letter of intent on setting up a joint venture to produce food service disposables and dairy packagings, Olli Virtanen reports from Helsinki.

Unlike past joint ventures in the Soviet Union, Huhtamäki's packaging division Polarcup will have a full 50 per cent holding in the project. The operation will be managed by Polarcup executives.

The new disposables factory in the Russian Federated Republic will be constructed in several phases. When completed in 1990 it will be the same size as Polarcup's paper converting unit in Hämeenlinna, Finland, currently the biggest in Europe.

Turnover of the Soviet plant, according to a Huhtamäki spokesman, will be well over FM100m (£13.3m) a year.

Dirty smoke tax set for coal-fired power stations

By Max Wilkinson and Andrew Taylor

BRITAIN's coal-fired power stations will be subject to a dirty smoke tax which will add about 2 per cent to electricity prices after the industry is privatised, Lord Marshall, chairman of the Central Electricity Generating Board, said yesterday.

He was announcing the first contract in a £1.8bn programme for removing sulphur dioxide from power station smokestacks.

The contract, worth £300m for cleaning up the UK's largest and most efficient power station at Drax, near Selby, was awarded to Babcock Energy, part of the FKI Babcock group.

After privatisation, Lord Marshall said, a method of sharing the cost would be needed to prevent individual power stations and companies from being penalised. This would be done through a levy on all coal plant without desulphurisation equipment.

Contracts being discussed between the generating and distributing parts of the industry would incorporate the levy and allow it to be passed on to customers. This will be similar to the way in which the nuclear levy – likely to be about 8 per cent initially – will be passed on.

The desulphurisation programme is a response to claims that sulphur emissions cause acid rain, which kills fish and trees, particularly in Norway.

The Drax project, which will cost £550m and add about 8 per cent to the cost of the electricity produced by the station, accounts for about a third of the programme for reducing sulphur emissions from 12,000 Megawatts of plant.

This would meet the European Community's directive that emissions must be reduced by 60 per cent in the next 14 years.

Although the next phase in the programme has not been agreed, FKI Babcock is thought to be in a strong position to win further work.

The runner-up in this contract was John Brown Engineering, a subsidiary of Trafalgar House, the construction, property, shipping and hotels group.

The other bidders were: Costain Engineering of the UK in partnership with Deutsche Babcock of West Germany; Combustion Engineering, the large US boiler manufacturer and a joint venture of Balfour Beatty of the UK and Lodge Cottrell of the US under licence from Saarberg-Hoelter of West Germany.

FKI's sulphur dioxide removal process uses Japanese technology under licence from Babcock-Hitachi, a Japanese company which shares the Babcock name but has no equity connection.

The CEGB has been investigating two different processes for removing sulphur dioxide from power station gases. The limestone process used by FKI Babcock which produces a high grade artificial gypsum as a by-product and a separate technique known as Wellman Lord which produces sulphuric acid.

The intention had been to use both techniques in the flue gas desulphurisation programme. The CEGB however has become concerned that disposing of sulphuric acid could be more difficult than disposing of excess gypsum.

France dines out on Britain's puzzling food rows

By Christopher Parkes in London and George Graham in Paris

OVERSEAS observers of the prolonged tragi-comedy based on the adventures of Her Majesty's Government in the food and farming underworld are beginning to see the joke.

Yesterday's French daily Le Monde, for example, reprinted a cartoon from The Times showing a waiter demanding: "Would sir like to live dangerously and try the brie?"

Only days before, Le Figaro was raging against perfidious Britain's scurrilous diversion of attention from salmonella-ridden eggs to allegedly noxious French cheeses.

Now Le Monde thinks it has found the cause. Despite accepting protestations that the brie ban episode stemmed from a misunderstanding, the paper yesterday attributed the diversion to a machiavellian plot by Prime Minister Margaret Thatcher, no less, aimed at the rehabilitation and eventual re-installation of Mrs Edwina Currie who lost her Cabinet post over the egg row.

For the most part, foreign reactions have ranged from puzzlement that the phlegmatic British could work themselves into such a froth over microbial minutiae such as salmonella and listeria, to astonishment that cabinet ministers should become so perilously embroiled.

With Mrs Currie simmering on the back benches and Mr John MacGregor, Agriculture Minister, suffering a roasting at the National Farmers' Union annual meeting in London yesterday, has the time come to apply legal strictures?

According to one US citizen resident in the UK, a good dose of litigation *à l'americaine* would soon put paid to the bout of fever racking Britain's body politic.

"My gut feeling is that controls are much laxer here ... it all goes back to the legal system," he offered.

"If things go wrong companies expect the Government to come to the rescue."

Far more effective would be legal remedies similar to those available in the US through which an afflicted consumer could sue an offending manufacturer or retailer.

"Because companies are not afraid of being sued, there is a tendency towards laxity."

In immaculate West Germany, source of much of the energy in the battle against hormones in beef which has led to serious international political clashes with the US, there is a general acceptance that such infestations and political ructions simply could not happen there.

In Japan, where people deliberately dice with death in ritual restaurant encounters with the poisonous fugu fish, most public comment on other nations' affairs has been muted in the light of the bad press accorded to the late Emperor Hirohito.

Considering the affront – intended or otherwise – offered to France's camembert and brie producers, it was inevitable that most reaction should come from Britain's nearest continental neighbour.

But the response has been surprisingly short-lived. With crucial municipal elections less than a month away, the French have found it hard to take the UK's continuing preoccupation with bacteria seriously.

"Good sense has not in recent days been the strong point of those in charge of agriculture and public health in Britain," Le Monde noted severely.

However, Mr Henri Nallet, agriculture minister, has troubles enough. As treasurer of President François Mitterrand's re-election campaign, he must divide his time between defending the interests of French cheese producers and fending off embarrassing questions about the President's finances.

Even the right wing opposition has been slow to seize the opportunity to bash Mr Nallet for failing to protect the reputations of camembert and brie.

No one seems eager to investigate the condition of the French food industry. The Pasteur Institute last week reported a 20 per cent increase in food poisoning in France in 1988, but declared the situation "not disturbing."

It was due, the revered institute declared with no further comment, partly to an increase in meals eaten collectively and partly to last summer's high temperatures.

Thatcher forms group to study food policy

By Philip Stephens, Political Editor

THE GOVERNMENT moved yesterday to quell public disquiet about risks to consumers from listeria bacteria in milk and cheese and announced the establishment of a ministerial committee to co-ordinate policy on food hygiene.

Mrs Margaret Thatcher, the UK Prime Minister, responded to attacks from the Labour Party in the House of Commons, by saying that the proposed ban on unpasteurised dairy products in England and Wales applied only to liquid milk. Scotland has applied such a ban since 1983.

Soft cheeses would continue to be available in the shops, although production would be governed by a code of practice. Groups at risk, such as pregnant women, would be advised to avoid them, she added.

Whitehall officials added later that there was no plan to ban the cheeses, although the Government would look closely at the possibility of changes in regulations covering, for example, labelling.

Officials said the proposed high-level Cabinet committee would include ministers from at least five departments and would be chaired by the Prime Minister.

Mr Kenneth Clarke, Health Secretary, and Mr John MacGregor, Agriculture Minister, will be joined by ministers from the Treasury, the Department of Trade and Industry and the Department of Environment in formulating a strategic response to concerns over food hygiene.

The Cabinet committee will draw on the advice of the separate committee of scientific experts, announced last week, which is expected to play a key role in drawing up a food bill.

Minister sets out to calm farmers' fears

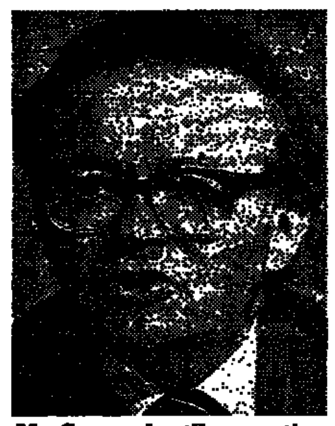
By Bridget Bloom, Agriculture Correspondent

THERE IS no confusion, conspiracy or complacency in the Government's food safety policy, Mr John MacGregor, Agriculture Minister, told a crowded and at times aggrieved annual meeting of the National Farmers' Union in London yesterday.

Mr MacGregor was clearly aiming to calm fears following the recent egg crisis – heightened by the weekend's confusing reports on the dangers of unpasteurised milk. "Britain's food was, is and will continue to be among the best and the safest in the world, so let us stop beating ourselves about the head by suggesting otherwise," he said.

He added that neither he nor the Government had tried to deny or disguise that food poisoning was a problem in certain cases, but most of the population continue to eat sensibly, as they did before.

The specific cases, which included a new strain of salmonella in some eggs and listeria in some milk products, meant that vulnerable groups such as children and the sick should follow the "very clear" guidelines laid down by the Chief Medical Officer.



MacGregor: hostile reception

Mr MacGregor said 17 measures of protection had been taken over the past few months. One was the proposal, announced on February 3, to ban unpasteurised milk. He said that such a ban would not extend to products made from unpasteurised milk, such as soft cheeses.

However, this move was being examined in the consultation necessary before the unpasteurised milk ban could be implemented, he said. "If there are very good food safety grounds for taking action, we will take it."

Mr MacGregor was giving the traditional address to the NFU's annual meeting. He faced a hostile resolution, backed by several speakers, attacking the Government's lack of a proper development policy for agriculture.

Mr Simon Gourlay, NFU president, said reforms of the European Community's farm policies had resulted in an annual 9 per cent drop in real terms in British farmers' incomes over the last five years.

Incomes in real terms were at their lowest levels since the Second World War.

Farmers accepted the need for reforms, but the relentless downward pressure on prices was not the way to achieve this.

Mr MacGregor accepted that farm incomes were declining in Britain, as in other EC countries.

It has been essential to get EC farm spending under control and food mountains reduced, he said.

At the meeting's close, it was generally agreed that the debates should put paid to popular misconceptions of a cosy relationship between the union and the Ministry of Agriculture, Fisheries and Food.

Observer, Page 22

Universities criticise grants rise

By David Thomas

BRITAIN'S universities have been given a 3.7 per cent increase in their basic grant for next year and have been warned to expect similar rises for the next three years.

The University Grants Committee, the buffer between Government grants and the recipient universities, revealed the rises in a letter to vice chancellors.

The Committee of Vice Chancellors and Principals last night criticised the settlement as inadequate. "The cuts that have gone on throughout the 1980s are set to continue," it said.

The basic grant covering most university activities will be £1.34bn in 1989-90, up 3.7 per cent on this year.

Next year's allocations for individual universities show considerable variation, ranging from an 8.7 per cent increase for Warwick to a 2.6 per cent decrease for Dundee.

Bath, Bristol, Exeter, Kent, London, Southampton, Warwick and York had cash rises of more than 5 per cent.

Small business 'will need advice on single market'

By Charles Batchelor

THE single European market in 1992 will have a direct impact on small companies in the European Community, Mr Alan Maybew, head of the EC's directorate of enterprise policy, said yesterday.

"The impact of the internal market will be very much felt by small business," he said at a briefing in the Community's London office. He added that the open market would bring benefits for small businesses, but they will need help and advice to prepare for it.

He warned that the opening of public sector purchasing to companies throughout the Community may threaten companies with long-standing supply agreements with local public sector customers.

He advised, therefore, that every small company should carry out an "audit" of its business to assess the impact of the barrier-free market.

Areas in which the small firms' directorate is trying to help include:

- Information. A network of European Business Centres has been set up to provide information on Community schemes of benefit to small business. A pilot network of 40 centres is being expanded to 200.
- Co-operation. A network of 400 business co-operation centres is being established to bring small businesses in the different countries together for joint ventures and collaborative projects.
- Training. The task force has sponsored a French small firms training programme intended to show companies how to prepare for 1992.
- Finance. The directorate plans to back the provision of seed capital to help very young companies develop new products. It will subsidise the management costs of 24 seed capital funds, though the subsidies will have to be repaid if the funds make a profit.
- Company law. The directorate is backing the creation of a company structure called a European economic interest grouping.

This would provide an unbureaucratic way for companies from more than one country to create joint ventures, though issues such as the tax treatment of profits made in more than one country still have to be solved.

SIEMENS

Information for Siemens shareholders

Ongoing Growth

During the first quarter of the current financial year (October 1 to December 31, 1988) the positive trend of the previous months continued, both in orders received and in sales. These were particularly favourable compared with the weak first quarter of the previous year.

New orders

Siemens, comprising Siemens AG and its consolidated domestic and international companies, recorded £4,980m in orders during the period under review. This continues the favourable trend of the previous months. The 19% increase compared with the first quarter of 1987/88 reflects the slack economic situation in the previous year. A number of major orders also contributed to this increase. In the telecommunications sector, for example, there was a concentration of orders, especially from Germany. The KWU Group received an order to equip a Singapore power station with gas turbines. The volume of orders was also boosted by the inclusion for the first time of the figures for the Bendix Electronics Group, USA, in which a majority holding was acquired in September 1988. Taking these factors into consideration, the growth figures overstate the underlying trend. Overall, German domestic orders increased by 25% to £2,201m (previous year £1,765) and international business by 14% to £2,779m (previous year £2,430m).

in £m	1/10/87 to 31/12/87	1/10/88 to 31/12/88	Change
New orders	4,195	4,980	+19%
German business	1,765	2,201	+25%
International business	2,430	2,779	+14%

Sales

Siemens worldwide sales increased by 9% to £3,830m (previous year £3,500m), international sales growing by 17% to £2,147m (previous year £1,836m) and German sales by 1% to £1,683m (previous year £1,664m). The small increase in Germany is mainly due to the phased billing of major projects. Semiconductor sales achieved a particularly large growth rate of 60%; here we are benefiting from the favourable market for memory devices. In the data systems and telecommunications sectors price erosion continues.

in £m	1/10/87 to 31/12/87	1/10/88 to 31/12/88	Change
Sales	3,500	3,830	+ 9%
German business	1,664	1,683	+ 1%
International business	1,836	2,147	+17%

Employees

The number of employees has been affected by the consolidation of Bendix. Although the figure in Germany remained static (223,000), this meant that the total workforce increased by 1% to 358,000 (excluding trainees and student workers). Employment costs rose by 5% to £1,859m (previous year £1,766m).

in thousands	30/9/88	31/12/88	Change
Employees	353	358	+ 1%
German operations	223	223	0%
International operations	130	135	+ 4%

in £m	1/10/87 to 31/12/87	1/10/88 to 31/12/88	Change
Employment costs	1,766	1,859	+ 5%

Capital spending and net income

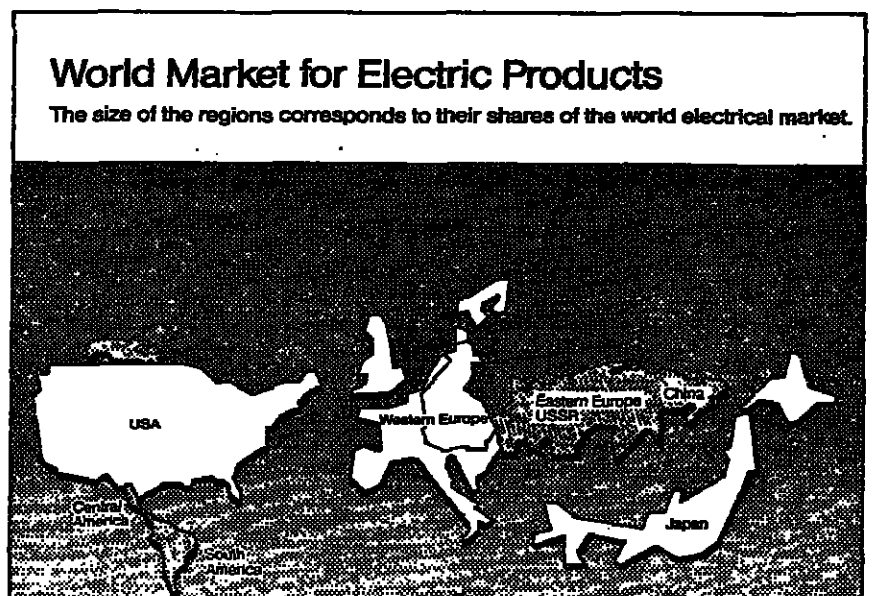
In the first three months of the current financial year, capital expenditure and investment came to £231m (previous year £208m). In addition, there were substantial changes affecting our subsidiaries and holdings during the period under review. For example, we sold our interests in Bergmann-Elektricitäts-Werke AG, Berlin and in Sigri GmbH, Meitingen. We agreed to cooperate with IBM in the field of private branch exchanges, which will strengthen our position in the American market and underline our importance as a leading supplier of telecommunications systems on the world market. We also concluded an agreement with the French company Intertechnique to acquire a majority holding in its data processing subsidiary IN2. The joint bid with the General Electric Company (GEC) of Great Britain to take over the Plessey electronics concern is currently being examined by the monopolies authorities. At present, GEC and Siemens have a joint holding of just under 15% of Plessey shares.
Net income after taxes increased by 6% to £94m (previous year £89m).

in £m	1/10/87 to 31/12/87	1/10/88 to 31/12/88	Change
Capital expenditure and investment	208	231	+11%
Net income after taxes	89	94	+ 6%

All amounts translated at Frankfurt middle rate on 31/12/1988: £1 = DM 3.206.

World Market for Electric Products

The size of the regions corresponds to their shares of the world electrical market.



World Market Leader in Medical Engineering

In the financial year 1987/88 Siemens sold medical engineering products worth £1,650m and received new orders worth £1,780m. The company thus remains the world's largest supplier in this field. The "home market" in Europe accounts for approximately half of all Siemens medical business, with the USA accounting for approximately one third. Japan's share has already increased to 7% and the foundation of Siemens Asahi Medical Systems (Siemens interest 66%) has consolidated our foothold in this region. Siemens medical engineering operates in all electrical markets, which are shown here in terms of their relative size.

Siemens AG

In Great Britain: Siemens Ltd.
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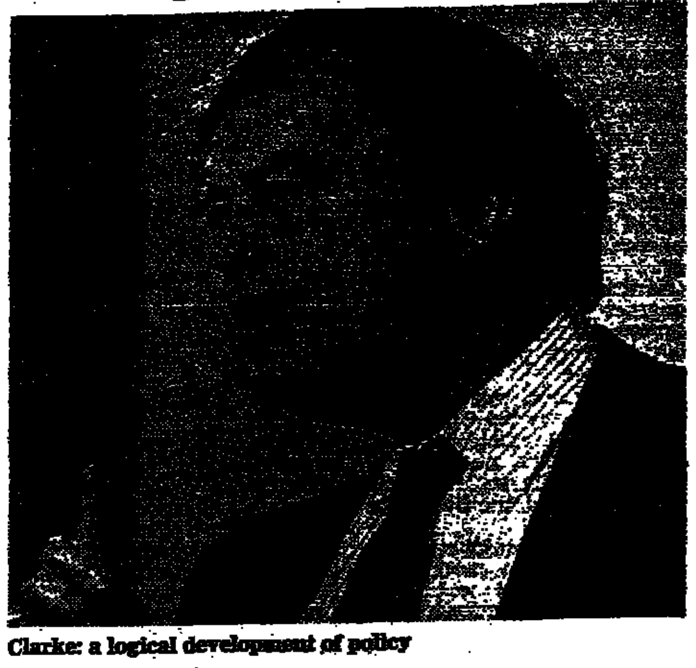
Smarting at application of entrepreneurial spirit

Alan Pike examines changes confronting doctors



Clarke: a logical development of policy

THE British Medical Association, the doctors' professional body, will this week give the first formal reaction on behalf of Britain's 32,000 family doctors to the Government's draft legislation on health care.

In the view of one doctor who will be present, this week's meeting of the BMA's general medical services committee promises to be one of its most important for decades.

That judgment is based on two things. The Government intends to promote general practitioners to a central role in the health care system – and it plans significant changes in the way they are employed and paid.

Many GPs are bewildered by the way general practice has emerged as one of the most fundamental aspects of the health care review. They believed that family doctor services had been reviewed by the Government, leading to the publication in November 1987 of the draft law (white paper) called Promoting Better Health.

The BMA has been discussing the changes proposed in the document with the Government for the past year.

BMA officials say they were told that the health care review which led to this month's white paper covered the hospital services and would not affect the negotiations. In reality, many of the white paper's most wide-ranging and controversial proposals are directed at GPs:

- Those in larger practices will be encouraged to hold budgets and buy hospital treatment on behalf of their patients.
- All GPs will feel the impact of government plans to reduce their prescribing costs – £1.9bn last year – through a regime of indicative drug budgets. The Government intends to take powers to impose financial penalties on GPs who "persistently refuse to curb excessive prescribing."
- The proportion of GPs' earnings which is determined by the number of patients on their lists is to increase and some doctors will lose allowances worth more than £8,000 a year from their £42,219 standard gross income.

Dr Ernest Armstrong, an Argyll GP and vice chairman of the BMA's general medical services committee in Scotland, says he feels "aggrieved and betrayed by the fact that a year of detailed negotiations on the previous white paper have been set at nought" by last week's announcements.

"We must avoid kneejerk reactions and will be looking at the new white paper to see what we can get from it for our patients, but I am concerned that the Government is changing the rules in mid-negotiation."

Dr Jim Milligan, a West Midlands GP, makes a similar point. "The Government has chosen to launch its ideas over the heads of the negotiators for the profession, when it has been sitting down with those negotiators for the past year."

Mr Kenneth Clarke, Health Secretary, met BMA leaders this week and told them he saw the wider-ranging proposals in the white paper as a logical development of policy. He wants to complete discussions with the BMA on Promoting Better Health by the spring.

Family doctors' pay is determined by three principal elements:

- Capitation fees, an annual payment, weighted by age, for each patient on a doctor's list;
- Allowances, of which the main one is the basic practice allowance worth up to £8,560 a year;
- Item of service fees, which provide doctors with set payments every time they perform services such as immunisations and the study of cervical cells.

Capitation fees produce about 46 per cent of GPs' income, and allowances a further 40 per cent. The Government intends to increase the proportion coming from capitation payments to at least 60 per cent. Basic practice allowance will form a reduced element of family doctors' income. Those working in areas free from social and geographical problems where there are plenty of GPs stand to lose it completely.

According to the white paper, GPs will have a "stronger incentive to satisfy their patients if a greater proportion of their income is attributable to the number of patients on their lists."

Dr Milligan doubts whether this will be the case. In the mid-1960s the proportion of GPs' income coming from capitation fees was reduced, and like many doctors he believes this contributed to more rational organisation and improved standards of general practice.

The white paper's desire to extend the competitive and entrepreneurial spirit to the medical profession worries Dr Armstrong.

"I was brought up to believe that doctors should co-operate to give patients the best deal out of the profession. The message seems to be that we should work longer hours, attract more patients, become more managerial and more competitive. It is apparently overlooked that GPs are already working an average 48-hour week, and are on call for another 20 or 30 hours, in a highly stressed environment."

GPs are awaiting Department of Health working papers, giving more details of proposals in the white paper, before forming conclusions on specific issues.

Dr Milligan says the overall approach will make the GP the central point of reference for all health care received by a patient, which he regards as sensible. But he believes the question of whether devolving financial and cost-control responsibility to GPs will work depends crucially on the amount of influence they have over budget-setting.

He attended one of the Government's regional presentations and told Mr Clarke that his proposed arrangements for making GPs budget holders – allowing an overspend of 5 per cent a year if there were "good clinical reasons" but clawing it back the following year – looked pretty tight compared with the Government's own recent ability to predict the inflation rate.

King urges relaunch of inter-party Ulster talks

By Our Belfast Correspondent

MR TOM KING, Northern Ireland Secretary, yesterday launched a fresh attempt to stimulate inter-party talks on the constitutional future of the province.

Mr King's initiative was being interpreted as a move to build on the disclosure that informal talks have been taking place between representatives of the Official Unionist Party, Democratic Unionist Party, and Alliance Party and the mainly nationalist Social Democratic Labour Party.

Mr King said it took courage and leadership to look for areas of agreement and he sensed a new willingness among politicians to take progress on the political front.

Addressing a meeting of East Belfast Rotary Club, Mr King said: "The question now is whether the constitutional political parties and those who support them wish to make further progress.

"If they do, then I want to ensure that the Government is ready to play its part in whatever way is appropriate and helpful.

"To do that, we must be sure we understand their positions. I shall therefore be seeking to explore with all those parties and groups what possibilities there may be for progress."

Mr King said he was asking Dr Brian Mawhinney, who has responsibility for political affairs in the province, to help him assess the current political mood of the various parties.

He said he hoped "everybody who should" respond would do so. However, Mr King added: "Anybody can refuse, but that would be a great pity. It won't hurt me, as the Government will clearly carry on discharging its duty to the best of its ability, as it has done in recent years."

Building society offers mortgage below base rate

By David Barchard

CHELTENHAM & Gloucester, the ninth largest building society, yesterday cut its mortgage rate to new borrowers to 12.75 per cent from 13.5.

The new rate is three quarters of a percentage point below the rate being charged by most large building societies. It is also a quarter of a percentage point below the banks' base rate.

The move, apparently aimed at undercutting its competitors, took most other building societies and mortgage lenders by surprise. It comes less than a week after Cheltenham & Gloucester announced record profits in 1988, largely achieved by keeping management expenses at levels well below those of other societies.

Until last autumn's increases in the banks' base rate, mortgage rates were generally held at a full percentage point above base rate. Since then building societies have held their rates at around half a percentage point above the present base rate of 13 per cent, to put pressure on mortgage companies and other new lenders who have to rely on the commercial money markets for their funding.

However, this is the first time for several years that a large society has offered a standard mortgage rate to new borrowers at a rate below base. The society said that it was able to do so because of the continuing strong inflow of funds from savers.

Mrs Gill Colver, a spokesman for the society, said: "This offer definitely does not reflect any downturn in Cheltenham & Gloucester's mortgage business.

"We have been doing a lot of business by offering a fixed rate of 12.5 per cent but we now feel that segment of the market is getting too crowded and want to compete in the mass mortgage market directly."

Toyota team to examine UK sites for plant

By Clive Wolman in Tokyo and Kevin Done in London

A TEAM of Toyota executives will visit the UK at the end of February to examine potential sites for the Japanese automotive group's planned £600m European car assembly plant.

Mr Tatsuro Toyoda, Toyota executive vice president, said the company was seeking sites for an assembly plant and an engine plant. His remarks suggested that the company had virtually dismissed the possibility of locating the assembly and engine plants in other European countries.

He said it would be highly advantageous for one to be "in the neighbourhood" of the other. The assembly plant which is planned to produce 200,000 cars a year would employ 2,500 people and the engine assembly plant about 500, he said.

Toyota, Japan's leading automotive manufacturer, received proposals from 30 competing UK local authorities and regional agencies seeking to persuade it to locate the plant in their areas.

Mr Toyoda said the company's study team, backed by local consultants, would visit the UK at the end of the month and examine no more than 10 possible sites in South Wales and England.

Some components to be used in the plants may be sourced from elsewhere within the European Community, Mr Toyoda said.

Nissan, Japan's second-largest automotive group, which is already developing a 200,000 cars-a-year assembly plant at Sunderland in north-east England, has also built an engine assembly plant at the site, as well as a plastics injection moulding plant.

Lord Young, the British Secretary of State for Trade and Industry, said last month that the UK was "the lead candidate" for the Toyota plant. He made it clear that any decision by the company to build its first European assembly plant in the UK would be warmly welcomed by the British Government.

Negotiations have not yet started between Toyota and the UK Government about the scale of state aid for the project, but any planned state support will have to receive prior approval from the European Commission in Brussels.

Toyota is expected to reach a final decision on the selection of a UK site by the summer.

Mr Toyoda was speaking after the announcement of financial results which confirmed Toyota's recently regained status as Japan's most profitable company.

Results, Page 26

IBM in £100m property venture with MEPC

By Paul Cheeseright, Property Correspondent

INTERNATIONAL Business Machines, world's biggest mainframe computer group, and MEPC, the second-largest British property company, have formed a joint venture to build a £100m office complex half a mile from Heathrow Airport, west of London.

The joint venture company is buying 18 acres from the Rutland Group, a private property company founded in 1984, for a price neither will disclose. The property is at Bedfont Lakes, once derelict farmland in the area surrounding London known as the Green Belt, which has strict planning controls.

This is one of the rare cases where commercial property development is being permitted on a Green Belt site.

IBM and MEPC plan to build 335,000 sq ft of offices at Bedfont Lakes by 1991.

IBM will lease about two-thirds of the space from the joint venture company and use it to consolidate and expand its marketing operations on the west side of London.

The partnership is the first into which MEPC has entered with a potential occupier.

Foreigners face bill for cost of living in the UK

A new government tax plan is based on the premise that those who benefit from living in Britain should pay, reports Richard Waters

THE GOVERNMENT set the scene for fundamental changes in the way foreigners are taxed in the UK in a consultative paper issued last summer. Several months and many critical comments later, experts are divided over whether these proposals will emerge in this year's Budget or Finance Bill.

At the heart of the consultative paper was the belief that anyone who benefits from living in UK should pay tax. At the moment, long-term residents do not have to pay tax on their overseas investment income and capital gains if they are not "domiciled" in the UK – an antiquated notion which is close (but not identical) to nationality.

Also, it is possible to spend large parts of the year in the UK and not be judged resident for tax purposes. Others, on the other hand, may find themselves judged to be resident even though they spend only one day a year in the country.

The Revenue proposed two basic answers. The first was that residence should be determined solely by the number of days a year spent in the UK. The second was to do away with the definition of domicile altogether and replace it with a test of "fiscal connection" – again, based on the amount of time spent in the UK.

Anyone "fiscal connected" would pay tax on their worldwide income and gains. Even those who escaped the test might still pay tax on a proportion of their income and gains elsewhere, depending on how much time they spent in the UK over a prolonged period.

It is this principle, of bringing overseas benefits into the UK tax net, which has so alarmed taxpayers.

It is naive, say the plan's critics, to believe that foreigners will readily report their worldwide income and capital gains to the UK Revenue.

Fears that the information will be recycled to their domestic tax authorities will lead to the holding back of information, and the Revenue will be unable to verify the accuracy of returns.

The internationally mobile will simply move elsewhere rather than submit to this regime, runs the argument.

London's shipping community is more perturbed about this than most others. According to Mr Richard Moore, managing partner of Moore Stephens, an accountancy firm with a strong list of Greek shipping clients, a change in the tax rules could drive shippers overseas, seriously denting an important City of London industry.

Employers of foreign nationals in the UK are also less than enamoured with the proposals, but see them as more of a nuisance than anything else.

A tax expert in one US company with extensive operations in the UK comments: "It is curious that the UK is going against the trend. Other countries seem more interested in attracting Americans."

Last year's US-French double tax treaty for example, exempts a US national's earnings from taxation in France provided they have been taxed already, he says.

The Government may go ahead with its proposals regardless. But since many of the criticisms focus on the administrative problems which could follow, it seems highly likely that the matter will be given further consideration.

A test of residence based on the number of days spent in the UK is one of the less contentious proposals. Residence is currently determined by several factors, including whether or not accommodation is available in the country, and is notoriously difficult to apply.

The proposed solution to this has met with support from many foreign chambers of commerce – backing which could be strong enough to push the idea through.

In the meantime, there are several "abuses" which could be tackled without changing the fundamental rules of the game. The first involves dual contract arrangements – schemes which enable foreign employees in the UK to take part of their earnings overseas and therefore outside the scope of UK tax.

The arrangement involves an employee having two contracts, one for work done in the UK and the other for work done abroad. This, according to the Revenue, has been open to abuse, with employees being paid under the overseas contract for work which has not been done wholly outside the UK. A special Revenue investigation into these arrangements was launched 18 months ago.

It would be easy to change the law and settle this matter once and for all, says Mr John Andrews, partner in charge of tax at accountants Coopers & Lybrand. The Government could simply do away with the rule that overseas earnings are only taxed if they are paid into the UK.

This would not touch overseas investment income. It is debatable on principle whether the UK should tax the investment income of someone coming to the UK temporarily. It would also be almost impossible to enforce.

A second area of abuse which has worried the Revenue has been the ease with which UK residents can go overseas to sell assets, thereby escaping capital gains.

One way to catch this would be to apply a tax if the individual returned to the UK within a specified period. However, this would have complex and possibly undesirable side-effects; for instance, the effect on UK nationals returning from abroad after prolonged absence. Would they pay capital gains tax on any assets sold within the last, say, five years? If so, what if they have paid overseas tax already?

The argument over the taxation of foreign workers, meanwhile, is helping to reopen old debates about how the UK taxes these people.

It has long been argued that foreigners require a higher level of benefits to maintain their standard of living when working abroad and that it is unfair to tax them on this.

If the Revenue plans to get tougher on the residence issue, then it will be under pressure to reconsider the inequities of this regime.

Plessey loses court bid to force GEC sale of stake in GPT

By Raymond Hughes, Law Courts Correspondent

GENERAL Electric Company, Britain's biggest electrical and electronics group, has defeated an attempt to force it to sell to Plessey its half share of GPT, their joint telecommunications company.

A High Court judge yesterday granted GEC a declaration that Plessey was not entitled to exercise an option in the GPT agreement compulsorily to buy out GEC's 50 per cent interest.

Plessey was given eight days in which to decide whether to challenge the ruling in the Court of Appeal.

The ruling removes – at least until any contrary decision on appeal – the risk of GEC losing one of its most valuable assets. It also lifts a serious potential threat to the £1.7bn takeover bid for Plessey mounted jointly by GEC and Siemens, of West Germany.

The bid lapsed last month when it was referred to the Monopolies and Mergers Commission.

Plessey had argued that its option right had been triggered by the GEC/Siemens agreement under which GEC accepted obligations to Siemens in relation to a proposed restructuring of GPT after a successful takeover.

The acceptance of those obligations breached the GPT joint venture agreement, Plessey contended, entitling it to exercise the option.

However, Mr Justice Morritt yesterday agreed with GEC that the obligations did not exist until the bid became, or could be declared, unconditional.

Therefore "Plessey never was entitled to exercise the option," the judge said.

He said that, under the GEC/Siemens agreement, GPT was to be restructured so as to give GEC 60 per cent and Siemens 40 per cent. The terms of the restructuring were to be agreed as soon as practicable after the bid became unconditional.

When, on January 12, the bid was referred to the Monopolies and Mergers Commission the offer lapsed and all the material provisions of the bid agreement ceased to have effect.

The judge added that, had he not decided the matter on the basis of the conditional nature of the obligations, he would have held in Plessey's favour that the obligation accepted by GEC to vote its GPT shares in favour of an enlargement of GPT's capital involved GEC dealing in GPT shares in breach of the agreement with Plessey.

That agreement permits one party compulsorily to purchase the other's shares in any one of a number of "relevant events", one of which is breach of a restriction on dealing in GPT shares.

Extradition appeals begin in Dublin

By Kieran Cooke

A SPECIAL session of the High Court in Dublin yesterday began hearing the appeals against extradition of three men wanted by the Royal Ulster Constabulary in Northern Ireland.

Mr Owen Carron, former Member of Parliament for Fermanagh, South Tyrone, is wanted on charges relating to possession of firearms.

Mr Paul Kane is wanted for escaping police custody, while Mr Dermott Finucane was one of a group of republican prisoners who escaped from the Maze prison near Belfast in 1983.

Mr Finucane is the brother of Mr Patrick Finucane, the leading Belfast solicitor who was murdered at the weekend by loyalist gunmen.

Mr Finucane's case was adjourned to later this month because of what his counsel described as "the extraordinary circumstances." His bail application was refused.

Britain is ninth in tax burden league

By Ralph Atkins, Economics Staff

BRITAIN'S tax burden is higher than that in the US, Japan and Italy but less than France and West Germany's, according to an international league table published by the Central Statistical Office.

Taxes and social security contributions (such as National Insurance) equalled 44 per cent of gross national product in 1986, the CSO says. That was ninth highest out of the 18 countries covered – one place better than in 1976.

The results show a trend for taxes and social security payments to increase as a share of gross national product.

It suggests tax changes in the past decade have not significantly reduced Britain's tax burden compared with other countries.

Latest estimates for 1987 suggest the UK tax burden fell slightly compared with 1986 while about half the other countries for which information was available saw increases. However, these changes did not significantly alter international rankings.

Looking only at direct taxes (such as income tax) on households, the UK has fared better than many other countries.

As a share of total taxes and social security contributions, direct taxes fell from 39 per cent in 1976 to 28 per cent in 1986.

Other countries which saw a reduction in the direct tax burden on households during the same period included the Netherlands, Norway, Sweden, and West Germany.

The percentage, however, of the total tax burden derived from direct taxes on corporate incomes rose in the UK from 5 per cent in 1976 to 11 per cent in 1986. In many other countries, including the US and France, there was a fall.

Economic Trends, January 1989. HMSO. £9.25.

The real barrier to improved recruitment

By Michael Dixon

HAVING been raised in the countryside, the Jobs column should know better than to try to get poachers to see eye to eye with gamekeepers. So I have only myself to blame for the largely snorting response from readers, who are overwhelmingly on the candidates' side of the market, to last week's homily on the need for considerate treatment of those on the employers' side thereof.

Of 45 letters and calls so far, 39 have waxed indignant. An especially sharp goad was the criticism of candidates' carelessness in applying for jobs. No fewer than 25 people report finding the complaint infuriating, given the grotty replies they often get to their applications when they are honoured enough to be sent an acknowledgment at all.

That no doubt ought to be a warning against further attempted do-gooding on my part. But as it is important to societies that key jobs should go to those best fitted to do them, the foolhardiness of repeating the exercise might still be preferable to the hopelessness of letting the matter rest. Recruitment can surely never be improved to the requisite extent so long as each of the parties to the process is content just to blame the other for what goes wrong.

For one thing, any fair attempt to decide who is most at fault is soon stymied by what, in Britain at least, might now be called the problem of the Currie's Egg — to wit, which to blame first, the egg or the chicken? For another thing, it is an oversimplification to view the jobs market as consisting of two sides: candidates on the one hand, and recruiters on the other.

The fact is that in most instances, the people who examine the applications and carry out the majority of interviews are not the people who decide which candidate to appoint. That is usually done by the line manager in whose fief the newcomer will work. Moreover, in the case of executive jobs at least, the line manager tends to be senior enough to influence the career prospects of those who handle the earlier stages of the task.

Now it does not seem unduly cynical to say that senior managers, while glad to accept the responsibility for decisions which work well, are apt to look elsewhere for it when things go awry. Hence although the people such as personnel specialists who do the spadework of recruiting have little chance of receiving the credit for good appointments, they have a high risk of being blamed for the opposite kind.

They are a bit like the legendary sentry sent to the edge of no man's land under orders to challenge anyone approaching with: Who goes there — friend or foe? The safest policy in that position is, regardless of what the people challenged answer, to shoot them dead straightway.

While recruiters cannot do the same, however much they might like to, they have a self-saving option too. Since any candidate they put forward is likely to be appointed and fail, they can simply avoid putting forward those whose record contains anything which might strike senior management as a sign that should have enabled the specialist recruiter to foresee a failure.

All of which may largely explain the research findings that recruiters typically concentrate more on finding reasons why applicants may be unsuited to a job, than on looking for positive evidence that they could do it well. But if so, alas, the much needed improvements seem unlikely to be brought about by personnel specialists' professional bodies issuing their members with guidelines - such as the British Institute of Personnel Management's new code of practice covering the testing of intellectual skills, traits of personality and the like.

It is true that the code (obtainable from the institute at IPM House, Camp Road, Wimbledon, London SW19 4UX) makes many important points. One example is that the tests cannot identify the best candidate for a job unless the job has first been analysed to establish the skills and other attributes essential to success in it.

Another — with especial relevance to personality tests — is that because their assessments are frequently standardised on people doing the type of work concerned at a particular time, they cannot be relied on to keep up with change or recognise truly exceptional ability. "It is quite possible that the ideal candidate for a job is quite different from anyone who has done it previously."

The only trouble is that the people really needing to be told such things are not professional recruiters, who already know them, but the line managers empowered to make the final decisions on appointments. And the sad fact is that they are typically most resistant to the idea that they should study the details of other people's specialisms. As long as they remain so, it seems likely that specialist recruiters will tend to use test results also primarily in a self-defensive frame of mind.

To my mind, the best hope of a widespread change to accentuating the positive in recruitment lies in the dwindling populations of young people in several big western countries, creating staff shortages which may be sharpened by the proposed creation of a single European Community market in 1992. But even then, I suspect that otherwise well qualified recruits will be rejected if they make careless errors in their applications.

Scattered pair

NOW to a couple of jobs being offered by headhunter Graham Walker of the Scottish branch of the Anthony Nevile International consultancy. Since he may not name his clients, he promises to abide by any applicant's request not to be identified to the employer at this stage of the proceedings.

The first is for a senior sales-marketing manager with world-wide responsibility to work from the Scottish base of a high-tech company with particular strength in the sensor field producing very largely for defence organisations.

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The remuneration package will reflect the importance placed upon this key management position. In addition to a competitive tax free salary, comprehensive executive benefits will be provided.

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Candidates should write enclosing their CV to me, Robin Witheridge, Consultant to this organisation. All such correspondence is treated in the strictest confidence and no details will be released until you have been briefed and given your consent. Mervyn Hughes International Ltd, 63 Mansell Street, London E1 8AN. Tel: 01-488 0155

Westpac Banking Corporation

Structured Finance

Westpac Banking Corporation is expanding its capacity in delivering limited recourse and structured finance products. The existing group of professionals — lawyers, accountants, tax advisors and bankers — is successfully marketing a wide range of value-added products, with increasing exposure in Continental Europe. It operates in a stimulating working environment which is both performance motivated and team orientated. Two persons are currently required:—

Head of Structured Finance

Role:

Responsible for winning mandates across a wide range of industries, through the development and successful marketing of new and differentiated products.

Requirements:

A successful track record in initiating and closing mandates is essential. Necessary skills include numerical and qualitative risk analysis abilities; creativity; team leadership and management qualities.

The position will appeal to a product specialist now looking for the challenge of immediate wider responsibilities.

Probable age range 33-37.

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Role:

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Requirements:

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This is an ideal opportunity for an ambitious individual, currently with limited marketing experience, but who aspires to mandate winning within 2/3 years.

Probable age range 29-33.

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Applications are invited from self-motivated individuals who can demonstrate managerial, marketing and trading experience combined with strong interpersonal and administrative skills. Consultancy arrangements could be considered.

Initial remuneration should not prove a limiting factor for high-calibre candidates with the required blend of skills and expertise. The benefits associated with a leading financial institution will apply.

Please send your detailed cv to Media System, 4 Garden House, Cloisters Business Centre, Battersea Park Road, London SW8 4BG, quoting ref: 1951 on the envelope. Your application will be forwarded directly to our client, unless marked "security check" and noting separately companies to which it should not be sent.

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Contact: Maggie Griffiths

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An established European Bank seeks an additional person to join an existing team. Candidates aged 30-35 with a degree/professional qualification and offering a background of experience in general corporate work will combine mid-market relationship skills and a business development capability.
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Contact: Frank Hoy

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This is an active marketing role, working within the small but expanding Trade Finance area of a well respected European Bank. The Bank requires a well educated preferably ACIB qualified, banker with experience of marketing a wide range of Trade Finance products and services and would be particularly interested in candidates with French language ability.
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كلمات الأصل

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The Company offers a salary and benefits package designed to attract one of the best practitioners in this field. Please write, in absolute confidence, to **Michael Thompson, Managing Director, John Sears & Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

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FOREX

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You must possess a strong record of achievement with at least 3 years' experience in the analysis and selection of UK stocks and you will be keen to develop your career in a performance-orientated environment.

The position offers a salary of up to £30,000 p.a. and rewards to match your performance.

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Transaction Management

Merrill Lynch International & Co is seeking an additional young professional to complement its transaction management group in London.

The role will primarily involve Eurobonds of all types as well as some private placement work, and knowledge of equity related capital markets instruments would be of particular advantage. Self confidence and a practical approach are as important as professional ability.

The successful candidate will have extensive documentation experience and may be:

— a solicitor with at least one years' post-qualification experience in a major City law firm; or

— a graduate with directly relevant experience in another bank or securities house.

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Please telephone Paul Dennison on 01-867 2986 or Mark Goodman on 01-867 2264 for a preliminary discussion or write enclosing a summary of your experience to date to Alan Beazley, Personnel Manager, Merrill Lynch Europe Limited, Ropemaker Place, 25 Ropemaker Street, London EC2Y 9LY.

Merrill Lynch

INTERNATIONAL APPOINTMENTS

UNITED ARAB EMIRATES CENTRAL BANK ABU DHABI

ANNOUNCEMENT NO. 2/89 RECRUITMENTS

The Central bank of U.A.E. seeks to recruit eligible individuals for the following posts :-

1. **TECHNICAL STRATEGIST**

A) FUNCTIONS

1. Direct the monitoring of all major bond and currency markets from a technical point of view.
2. Supervise and organize the work of the staff assigned to assist him or to be trained.
3. Combine practical methods from the field of quantitative analysis which includes traditional chart analysis and advanced technical analysis (momentum, relative strength etc...) in order to assist in the preparation of investment strategy.
4. Develop computer - supported programs which will be useful for the Investment Department.
5. Suggest investment proposals to the Investment Committee based on technical factors related to major currency and bond markets.
6. Contribute in formulating investment policy.
7. Prepare, for the Investment Committee, technical analysis of the major currency and bond markets.

B) QUALIFICATIONS :

1. Bachelor degree as a minimum.
2. Work experience of at least 10 years in the area of fixed income investments and foreign exchange with a bank and/or a financial institution.
3. Broad knowledge of the major money and bond markets.
4. Age preference 35 - 50 years old.

2. **FIXED INCOME AND CURRENCY MANAGER :**

A) FUNCTIONS :

1. Monitor major bond and currency markets from a technical (Chart) point of view.
2. Combine practical methods from the field of quantitative analysis which includes traditional chart analysis (momentum, relative strength etc.) in order to assist in the preparation of investment strategy.
3. Write technical reports to the Investment Committee related to currency and bond markets.
4. Suggest investment proposals to the Investment Committee based on technical factors related to the major currency and bond markets.
5. Manage : (a) a specific and/or multi currency fixed income portfolio(s).
   (b) Multi-currency foreign exchange portfolio.
6. Purchase and sell currencies and fixed income instruments which he manages, and suggest the form of documentation, procedures and control measures for such transactions.
7. Recommend technical programs which are useful for the Investment Department.
8. Assist in training of other staff.

B) QUALIFICATIONS :

1. Bachelor degree as a minimum.
2. Work experience of at least 7 years in areas of fixed income investment and/or financial institution.
3. Broad knowledge of the major currency and/or fixed income markets including euromarkets.
4. Age preference 30 - 45 - Years old.

Please send C.V. with full details, within two weeks from the date of this announcement addressed to:

The Personnel Officer U. A. E. Central Bank P.O. BOX 854, Abu Dhabi - U. A. E.

INVESTMENT ANALYST

PERTH

THE COMPANY

Based in Perth, Scotland, General Accident is one of the major UK insurance companies, employing more than 17,000 people in 45 countries worldwide. Perth offers excellent sporting and leisure facilities, as does the company's own modern sports complex with swimming pool and squash courts.

THE JOB

We are now looking for an additional experienced Investment Analyst to help maximise returns on our funds; working as part of a team you will be involved in many aspects of fund management, but principally in Sector research.

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THE BENEFITS

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The Staff Superintendent (Head Office),
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GA **General Accident**

THE COMMISSION OF THE EUROPEAN COMMUNITIES

DELTA: developing European learning through technological advance

HEAD OF DIVISION

The Commission is looking for highly qualified candidates for this challenging temporary post which includes responsibility for Advanced Learning Technology and its use in open education and training systems.

The DELTA programme, which was adopted by Council Decision of 29 June 1988 and published in Official Journal of the European Communities No. L 206 of 30 July 1988, is designed to exploit advances in information technology and telecommunications (IT&T) for the support of learning.

Qualifications required: □ nationality of one of the EC Member States; □ university degree (preferably at doctorate level); □ professional postgraduate experience of at least 15 years including: * development of new IT-based technologies, tools and infrastructure required to support and extend open and distance learning systems * senior negotiating and management experience; □ a track record of significant work in the area of learning and training using advanced learning technology would be a considerable advantage; □ thorough knowledge of one Community language and a working knowledge of a second; □ upper age limit 50 (born after 10/02/1939).

Contracts will be for an initial period of three years, with possibility of renewal.

To apply for this post, please send a detailed curriculum vitae giving details of professional experience, publications and level of responsibility. Detailed curriculum vitae (accompanied by a copy of university degree) postmarked not later than 10/03/1989 should be sent to the following address quoting the reference COM/R/A/36.
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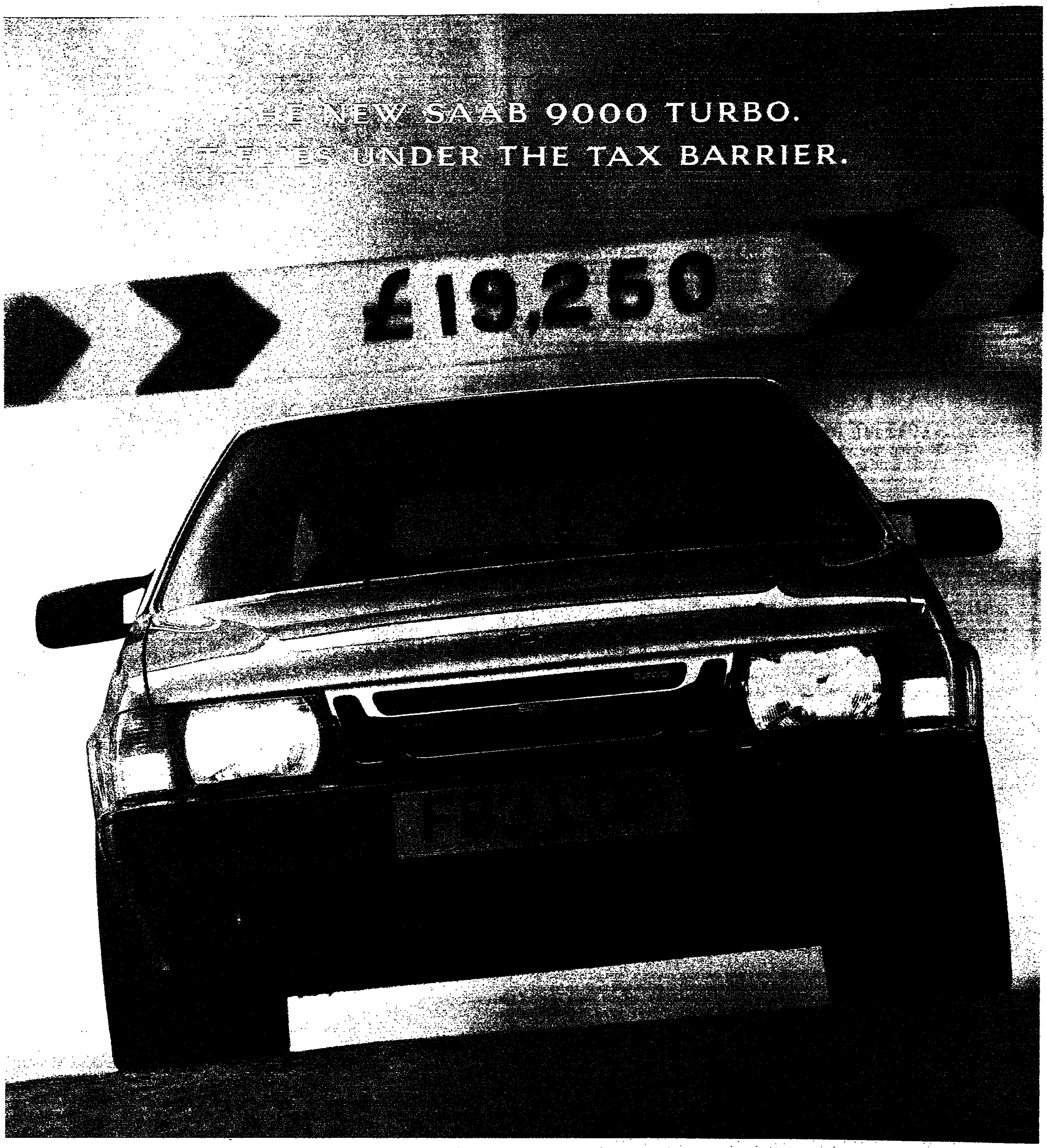

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FT LAW REPORTS

Lapsed patent can be renewed

IN RE TEXTRON
House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Templeman, Lord Oliver of Aylmerton and Lord Goff of Chieveley): February 9 1989

A PATENT may be restored to the register if it lapsed because of circumstances beyond the owner's control in that a hitherto competent employee failed to follow reasonable instructions for checking renewals.

The House of Lords so held when allowing an appeal by patent holder, Textron Inc, from a Court of Appeal decision *([1988] 1 FTLR 210)* that the Comptroller of Patents was right to refuse to restore Textron's lapsed patent.

Section 28 of the Patents Act 1977 says that where a patent has lapsed through failure to pay a renewal fee, the proprietor may apply within one year to have it restored and the Comptroller must restore it if he is satisfied that "(3) . . . (a)the proprietor . . . took resonable care to see that any renewal fee was paid within the prescribed period . . . and (b)those fees were not so paid because of circumstances beyond his control."

LORD TEMPLEMAN said that the life of a patent was 21 years, but it could only be maintained after expiration of the fourth or any succeeding year if, in the prescribed period of three months before the end of the current year, the proprietor paid a renewal fee.

If the proprietor failed to pay, the Comptroller of Patents sent a reminder notice within six weeks after the prescribed period. The proprietor could then renew the patent as of right, by paying a fee within six months of the end of the prescribed period.

Textron entrusted the task of renewing its patents to a patent agent. It instructed the agent to pay all renewal fees. As a result of a combination of circumstances, the details of a patent were expunged from the agent's computer system, contrary to Textron's instructions and without Textron being able to discover the error.

The renewal fee due during the prescribed period ending August 20 1983 was not paid and the patent expired.

Following expiry of the patent, the Comptroller sent a reminder notice. Having received that notice it was then incumbent on Textron to take reasonable steps to see the patent was renewed by payment of the renewal fee within six months after expiry.

A Mr Galerstein, chief legal counsel to Textron's subsidiary which dealt with industrial property matters, had given instructions to his legal assistant to deal with any reminder notices which revealed that a renewal fee had not been paid within the prescribed period.

If the legal assistant was not satisfied that the renewal fee had been paid or that Textron had decided to abandon the patent, her instructions were to refer the notice to Mr Galerstein. The reminder notice received by Textron was referred to the legal assistant and was in her files. If she had followed the agreed procedure the notice would have been referred to Mr Galerstein and the patent would have been renewed by payment of the fee.

The reminder notice was not drawn to Mr Galerstein's attention. It appeared that the legal assistant failed to carry out her instructions, and that if she had carried them out the fees would have been paid.

Following expiry of the renewal period the Comptroller sent out a "lapsed notice", informing Textron that the patent had ceased.

Within a year of expiry Textron applied to the Comptroller under section 28 of the Patents Act 1977, to restore the patent. The application was refused. The decision was upheld by Mr Justice Whitford and by the Court of Appeal, which held that the mistake of the legal assistant was either Textron's mistake or a mistake under its control. Textron now appealed.

Textron had taken reasonable care within section 28 to see that the renewal fee was paid during the prescribed period, by delegating responsibility for payment to the agent. The fee was not paid because of circumstances beyond Textron's control, namely, the agent's failure to carry out its instructions. Textron did not delegate the responsibility of paying the renewal fees during the six-month renewal period. It took reasonable care to see that the fees were paid, by providing that the reminder notice should be investigated by the legal assistant and reported to Mr Galerstein.

The fees were not paid because of circumstances beyond Textron's control, namely, the legal assistant's failure to carry out its instructions. Textron was entitled to assume, in the absence of any indication to the contrary, that the legal assistant would investigate and report. It could not ensure that she would do so. It could not discover that she had not done so until the renewal period had expired.

The fees were not paid because of the inexplicable failure of a competent employee, appropriately selected, qualified and experienced, to comply with clear and unambiguous instructions which, she could be expected to carry out.

There was nothing in section 28 which absolved the proprietor of a patent from the mistakes of his agent, but did not absolve him from the mistakes of his servant. The proprietor must in each case take reasonable care in the selection of the agent or servant and in instructions and arrangements for payment. No criticism had been made of Textron or Mr Galerstein in that regard.

Section 28 clearly applied to exonerate the proprietor of a patent, in a proper case, for a third party's unexpected failure against instructions to perform the duty cast on the proprietor. It was within the control of the proprietor to ensure that an agent or servant was competent and was given unambiguous instructions. But it was not within the proprietor's control to ensure that an agent or servant invariably obeyed instructions.

The appeal should be allowed and Textron's application be remitted to the Comptroller for further consideration.

LORD OLIVER agreeing said that no employer could reasonably be expected to supervise the carrying out of every elementary administrative function committed to an *ex facie* competent employee or agent.

An individual patent proprietor who arranged for a reliable agent to pay renewal fees, clearly took reasonable care to ensure their payment and the agent's default, in the absence of knowledge on the proprietor's part, would be beyond the proprietor's control.

There was no reason why the position should be any different if the proprietor chose to pay renewal fees through a trustworthy servant.

There was a complication in the case of a corporate proprietor in that a corporation could not act otherwise than through its directors or servants. Their control was its control. So, it was argued, the servant's failure of the servant was the corporation's failure.

The argument, though logical, was unattractive. There was no logical nor practical reason why the consequences of an unexplained and unforeseen failure on the part of an *ex facie* trustworthy employee should be different from those of a failure on the part of an independent contractor.

The corporate proprietor, while enjoying a greater right to supervise its own employee's performance than it would in the case of an independent agent, had in practice no greater "control" over his unexpected failure or mistake in one case than in the other.

Therefore, if allocating the checking of renewal fees to a trusted employee was a reasonable system for ensuring payment, the employee's unexpected failure to carry out the task properly was a matter outside the employer's control.

But, it might be said, if the failure of one servant was beyond the control of his immediate superiors and ultimately the corporate employer, did that not result in every administrative failure being a circumstance beyond the corporation's control?

There might be difficulties where the failure was within the control of the director, officer or employee responsible for establishment and operation of a system for ensuring payment. In such a case a distinction might be drawn between default on the part of the person who was the directing mind of the company, and default on the part of a mere employee directed to carry out the task by the directing mind.

Realistically it was not insuperably difficult to read "the proprietor" in section 28(3)(a) as meaning, in the case of a corporate proprietor, "the proprietor by its directing mind."

The failure of Mr Galerstein's legal assistant to carry out her instructions was a circumstance which was beyond Mr Galerstein's control and, insofar as he was Textron's directing mind, it was beyond Textron's control.

There was no ground for saying that the legal assistant's failure to carry out her duties was any less beyond Textron's control than the agent's unexpected and accidental failure to pay the fees in the first instance.

Lord Keith and Lord Brandon agreed with Lord Templeman. Lord Goff agreed with Lord Templeman and Lord Oliver.

For Textron: Simon Thorley (Needham & Grant).
For the Comptroller: Nicholas Pumphrey (Treasury Solicitor).

Rachel Davies
Barrister

MANAGEMENT

The walls of my new office are completely bare. What I would most like to do this morning is go in search of some pictures. I am unlikely, however, to have time for such frivolities on my first day as general manager of the north-west region of the Brewmaster Group.

My boss, Charles White, the operations director, is coming to see me at 3 pm. He wants to know what I think are the major problems of the region and what I intend to do about them. He also wants to know how I plan to solve our distribution problem. All this before I have had a chance to visit the three breweries for which I am responsible.

Jenny Blumsom, my impeccably courteous and utterly inscrutable secretary, gives me a sheaf of correspondence demanding immediate action from a host of people: customers complaining about our appalling service, customers congratulating us on our exemplary service, and the personnel manager begging me to sort out an argument between two employees.

Nicholson, a union official, has managed to wangle an appointment to see me at 4:45. He is threatening industrial action over the disciplining of a plumber who was found sleeping in a store room when he was supposed to be repairing the toilets.

There is also a note from White, my boss, asking me to represent the company at a forum at Liverpool Town Hall on the growing problem of alcoholism on Merseyside. As success in my new job depends on Merseyside's alcoholism growing even worse, it crosses my mind that the forum might be an embarrassing experience. Still, turning White down would be a poor career move.

Also, Jenny says, the Manchester Rotary Club wants to know if it can use our car park for its car boot sale on Saturday February 25. I know that this request is designed to trip me up. The general manager should not spend more than 30 seconds of his first day on car boot sales.

I ask Jenny to tell them "yes". I never get round to reading the minutes of the last management meeting, at which it was decided that the car park would be closed that weekend so that pipes leading from the brewery could be replaced.

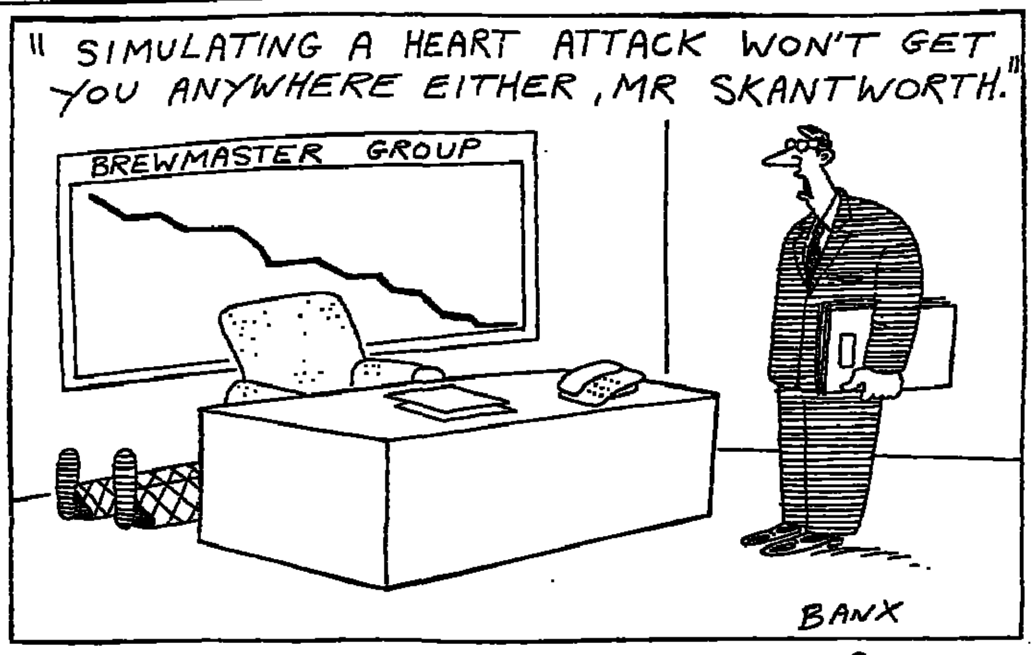
Jenny does not really work for Brewmaster. She works for the Assessment Shop, a company which puts people through a day of simulated management at its offices in St Albans. Managers spend the day running Brewmaster's north west region: scheduling appointments for the week ahead, analysing the past four years' financial results and arranging to meet key customers.

There are constant interruptions and changes of plan. The meeting with Charles White is suddenly brought forward to 2:15. White himself never appears. Instead, Eric Rodwell, the Assessment Shop's general manager, arrives to ask what the manager would have told White had the meeting taken place. He also asks what the manager would have said to Nicholson, the union official.

Managers who use the Assessment Shop's services are also given various questionnaires and tests. These are used to assess their verbal and numerical reasoning and to evaluate how comfortable they would be in various roles.

Other than these tests and interviews, users of the Assessment Shop are left to get on with it; they are not observed through video cameras or two-way mirrors. They are given a completed assessment report 48 hours later.

Steve Blinkhorn, the Assessment Shop's chairman, says that the service is partly aimed at companies which are too small to have their own assessment centres. The Shop, which opened last year, has, however, also attracted larger customers such as NCR, the US computer manufacturer, British Telecom and Brook Street Bureau, the employment agency.



Playing the game is almost for real

Michael Skapinker discovers that there are strengths and weaknesses in simulated management exercises

Blinkhorn, a former academic, says that some large companies prefer to use an outside assessment centre because they feel that a manager's superiors might not be able to evaluate him or her objectively. Unconventional managers who do not fit into his organisation's established career structure might also be sent to an outside assessment centre so that their superiors can decide how best to use their talents.

Around 30 managers have so far used the Assessment Shop. Their companies pay £1,200 for the day's simulation, tests and the report. The Shop offers an off-the-peg simulation based on the brewing company, but it can come up with a case which is closer to the client's business. It is also developing simulations based on an electronics company and a retailing organisation.

Eric Rodwell says that the simulation aims to test a variety of management competences, including financial analysis skills, decision-making skills, business planning skills, organisational leadership skills, and sensitivity to people.

The simulation clearly tests the first three of these competences. But does it test managers' leadership skills or sensitivity to people? Users of the Assessment Shop do have contact with Jenny Blumsom. They do not, however, deal with anyone else.

Rodwell argues that much can be deduced from the meetings that the manager schedules. Someone who arranges to speak to all his managers soon after arriving in a job clearly has a better grasp of leadership than someone who makes no such arrangements.

Mike Bateman, a manager with British Telecom, says the Assessment Shop increased his confidence in his own personnel skills. "I've always regarded myself as a soft touch with subordinates. What came out was that I wasn't. When I went back to work and asked people about it, they agreed that I was not as soft a touch as I thought I was," he says.

But some companies which have sent managers to the Assessment Shop have their doubts. "I didn't feel that the process told me very much about how those managers deal with other people," says Melvin Coleman, director of finance at the Engineering Industry Training Board. Coleman went through the simulation himself. He then asked four managers who had applied for a job at the EITB to spend a day at the Shop.

His overall view of the process was positive, however. He liked the idea of recruits being evaluated by assessors who regularly saw managers from other companies and industries. He also thought that the simulation was more revealing than a conventional interview would have been.

"In an interview, people will talk very convincingly about what they will and will not do. For example, their ability to work under pressure: people will tell you 'of course I can work under pressure'. But when you see how they use their time here, it shows you things you would never learn in an interview," he says.

He says that even unsuccessful applicants for a position gain considerable benefit from having been to the Assessment Shop. "I was able to give the candidates some sort of feedback. I was able to say to them: 'this is an area that you might like to do something about'. Candidates put a lot of effort in and this enables them to get something out of it – instead of just telling them 'sorry, you haven't got the job'."

Tony Howard, a senior manager with Brook Street, says that he would not use the Assessment Shop as the basis for recruiting managers. "To my mind, job history and work record are more important," he says. He believes that the simulation has a more useful role to play in identifying managers' development needs. "As a guy who's been in a number of companies, I found the simulation closely allied to the commercial world," he says.

The simulation is close enough to reality to be a discomforting experience. One user of the Assessment Shop spent her lunch break fighting the impulse to jump into her car and escape. I found it difficult to understand how she managed to fit in a lunch break.

The day ends with a discussion with Eric Rodwell. He compliments me on some of my managerial actions and gently suggests that I could have done better on others. He is a skilled assessor, but it occurs to me that Jenny Blumsom could probably provide a shrewder evaluation of the management skills of those who pass through the Assessment Shop.

I broach the subject with her, but she merely smiles politely.

Improving the 'feedstock'

David Thomas on BP's moves to extend the industry/education debate to a European platform

British Petroleum, long a leading advocate of the need to improve industry/education links in Britain, is about to launch this message on a European stage.

The oil multinational is planning a two-day conference to be held in Brussels later this year, to which it intends to invite the presidents of its 16 European subsidiaries. In a novel departure, all its European heads will be asked to bring with them two guests from the world of education: one representing schools, the other drawn from higher education.

Participants at the conference will exchange information on the links between BP and education in each country; will be asked to produce a plan to deepen those links in each territory; and will begin to formulate ideas for a cross-European approach to the issues. Bob Horton, BP's deputy chairman, will preside over the gathering, thus underlining the commitment of top management.

So why is a hard-headed oil company prepared to devote the time of so many of its senior managers to what appears a nebulous topic unrelated to the bottom line?

Chris Marsden, who runs BP's educational activities in the UK, denies that education and successful business are unrelated. He sees the conference as trying to improve the quality of one of the company's key "feedstocks" – well-qualified manpower. "If we don't get that right, it will ultimately detract from the bottom line," says Marsden, the conference organiser.

A triad of pressures, felt to differing degrees in most European countries, forms the backdrop to the gathering and the conference's three themes. First: the swing in the demographic cycle which will mean sharply fewer 18-20 year olds in the early 1990s. Second: the changing technological and employment scene influencing BP's demand for skills.

Third, but not last, comes BP's preparations for the run-up to the common internal market in 1992. The very process of trying to forge consensus among its European affiliates on the tricky cultural issues underlying educational debate is a way for BP to put flesh on its commitment to internationalism.

Many of these concerns surfaced in a planning meeting of middle-ranking BP executives from nine European countries held recently in a hotel as close as it is possible to get to Heathrow airport without actually being on the runway. It was the first time the company had called together such an international group to consider education-industry links.

The group could hardly have been more diverse. Kris Christoffersen, a teacher before joining BP in Norway, was both informed and active in forging links with Norwegian universities; others had barely considered the issue. Miguel del Riego, from Spain, talked of a labour market where unemployment approached 20 per cent; Paul Kalin, from Switzerland, had to contend with one boasting less than 1 per cent.

Yet as the evening wore on and the wine flowed, the same themes cropped up. Most frequently mentioned were worries about the likely dearth of good quality new graduates once the demographic grip tightens. Next was the need to improve the image of industry in general and BP in particular in schools and colleges; even Klaus Harms from Deutsche BP complained of a lack of industrial understanding among teachers in West Germany, a country which to outsiders epitomises a modern industrial culture.

This gathering left Chris Marsden convinced that there was merit in a more high profile conference. Its immediate goal, helped by the presence of BP's top executives, will be to beef up the educational work of each national subsidiary. The more ambitious, longer term objective is to encourage cross-border initiatives; BP has already made a start by encouraging an English school to arrange work experience in Essex for German pupils from a Hamburg secondary school, and vice versa.

Yet Marsden has the difficult task of giving a corporate push to these objectives without cutting across BP's decentralised structure, which leaves decisions on such matters to national subsidiaries. "In no way are we trying to impose what other countries should do," Marsden explains.

Business courses

Product development: what really succeeds in practice. London, March 15. Fee: £250 + VAT. Details from Diane Callow, KAE Development, KAE House, 7 Arundel Street, London WC2 3DR. Tel: 01-379 6118.

The untapped goldmine: the growing importance of the over-50s. Paris, March 15-17. Fee: SFr 1,050 (members) and SFr 1,275 (non-members). Details from ESOMAR, central secretariat, JJ Viottastraat 29, 1017 JP Amsterdam, The Netherlands. Tel: 31-20-664.21.41, Telex 18535 esmar nl, Fax 31-664.29.22.

Unblocking organisation communication. Uxbridge, Middx. March 10. Fee: £215. Details from Programme Secretary, Management Programme, Brunel University, Uxbridge, Middx UB8 3PH. Tel: 0895-56461.

Accounting for managers. Henley-on-Thames, March 6-10. Fee: £1,090 + VAT. Details from Registry Administration Manager, Henley – The Management College, Greenlands, Henley-on-Thames, Oxon RG9 3AU. Tel: 0491 571454. Telex: 849026 HENLEY G. Fax: 0491 571635.

Project management – the critical skills and techniques. London, Feb 27-March 1. Fee: £595 + VAT. Details from The Infomatics Resource Centre, 2 The Chapel, Royal Victoria Patriotic Building, Fitzhugh Grove, London SW18 3SX. Tel: 01-871 2546. Telex: 299180 MONINT G. Fax: 01-871 3866.

Computerised personnel information systems. Sussex, March 13-15. Fee: £715 + VAT (£650 for IMS subscribers). Details from Training Administration, Institute of Manpower Studies, Mantell Building, University of Sussex, Falmer, Brighton BN1 9RF. Tel: 0273 678181.

Leasing: attractive investment and innovative financing. Brussels, March 13-16. Fee: BFr 83,700 (members), BFr 93,000 (non-members). Details from Customer Service Department, Management Centre Europe, Postbus 95, NL-3417 ZH Montfoort, The Netherlands. Fax (Belgium): 32/2/513.71.08.

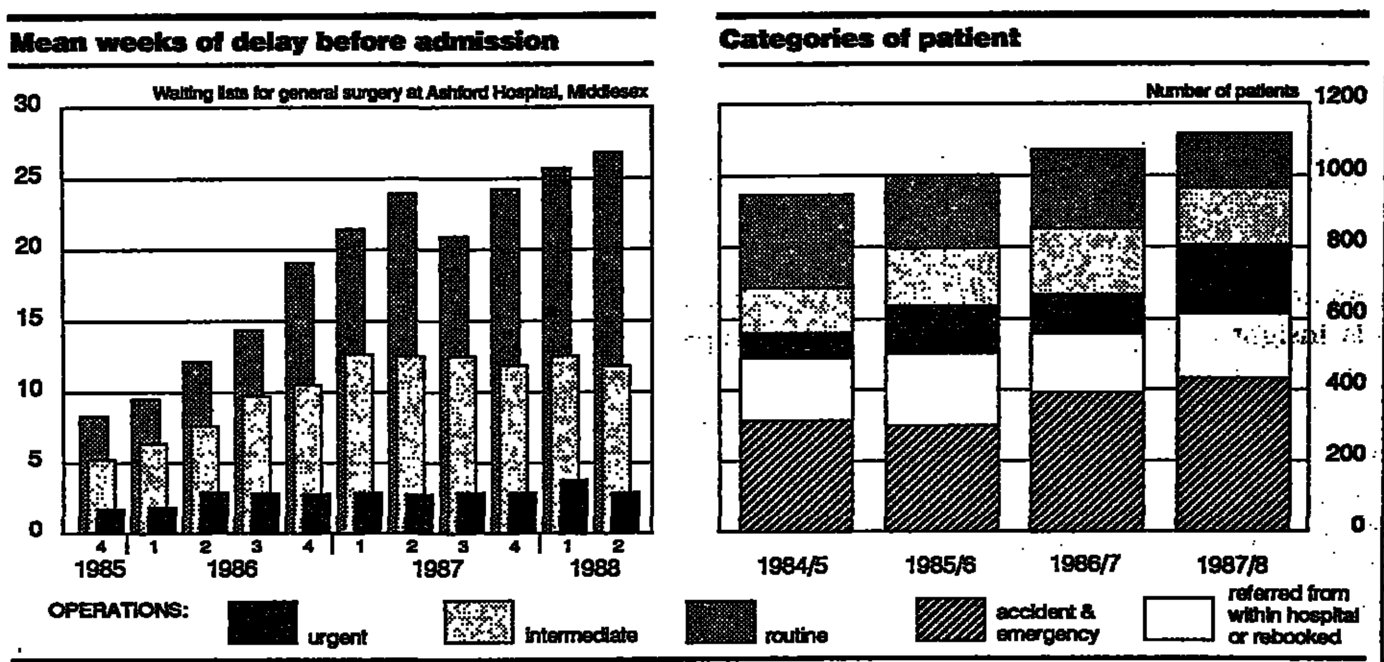
TECHNOLOGY

The chart on the computer screen in the surgeon's office tells the story only too graphically. The waiting time for non-urgent operations at Ashford Hospital in suburban Middlesex is climbing inexorably, from an average of 10 weeks three years ago to 28 weeks now.

Not an unusual story at a district general hospital in Britain's National Health Service. But the computer also tells Brian Ellis, the consultant surgeon, why some patients now have to wait more than a year for their operations.

Analysis of his workload shows that routine surgery is being squeezed out by an increasing burden of patients from Ashford's accident and emergency department. This follows the curtailment of emergency services at other local hospitals which are cutting spending.

Brian Ellis is one of 125 consultant surgeons using a microcomputer-based system called MicroMed to handle clinical administration and measure the quality and quantity of their patient care. The North West Thames Regional Health Authority has ordered 26 systems and aims to provide virtually all of its surgeons with MicroMed by 1991.



Surgical route to efficiency

Clive Cookson reports on a computer system which both monitors doctors' performance and improves the use of hospital resources

Ellis developed MicroMed with Medical Systems Limited, a Buckinghamshire software company. He believes that its decentralised approach – letting the doctors in each medical specialty control their own computers – gives much better clinical information than the centralised computer systems on which many hospitals store their patient records. Studies have shown, he says, that the NHS Hospital Activity Analysis (HAA) is based on figures that are 15 to 20 per cent inaccurate because data are fed into the system by untrained administrative staff rather than by doctors.

According to an estimate by the magazine Computer Weekly, the Government's plans for the NHS, as mapped out in last month's white paper, will involve spending £400m over the next three years on information technology to improve managerial efficiency. Much of the money will be devoted to the "resource management initiative", now running in six pilot hospitals, which is to be extended to 260 hospitals by 1992. A primary objective is to bring large general hospitals to the stage where they can be run as self-governing trusts.

The white paper sees resource management as the use of computers to "provide a complete picture of the resources used in treating hospital patients" and to involve clinical staff much more closely in budgetary and other managerial decisions. But the decisions on how the computers are to be introduced will be left to individual hospitals and health authorities.

Brian Ellis is convinced that resource management will only work well if it is built on a web of microcomputer networks covering each medical department. Every consultant must be encouraged to use the departmental network to monitor his or her performance through a process known as medical or clinical audit. The departmental figures can then be combined for hospital-wide resource management.

The white paper agrees that all hospital doctors should take part in medical audit – "a systematic, critical analysis of the quality of medical care, including the procedures used for diagnosis and treatment, the use of resources and the resulting outcome for the patient." But it says nothing about how to carry out medical audit or how to link the process to overall resource management.

At Ashford, medical audit has already changed the way the surgeons work. Ellis, for example, has stopped doing major operations on the gullet and now refers those patients to a more specialised unit. He decided, after seeing the computer analysis of his workload, that the incidence of complications was too high relative to the small number of gullet operations he carried out as a general surgeon.

The Ashford surgeons are beginning to feed financial information into the computer, as a first step towards clinical budgeting. They have analysed the costs of treating different categories of patient, in terms of the "hotel costs" of occupying hospital beds and the direct surgical costs of carrying out operations. They are now using the system's modelling facility to work out the best balance between different categories of patient, within the constraints of bed space, operating theatre availability and, above all, money.

Reaching a conclusion – for example, that Ashford should carry out more non-urgent surgery and less accident and emergency work – is only the first step. Actually changing the balance is a matter of NHS politics and negotiations between neighbouring hospitals. But detailed computer analysis can make the case more persuasive.

MicroMed can run on any IBM-compatible personal computer with 20 megabytes of hard disk storage. The basic single user system, running on a Tandon PCA20 micro with an Oki printer, costs £10,730.

Apart from providing information and analysis for resource management, medical audit and research, the system handles routine patient administration and paperwork for a surgical "firm". (Surgeons in British hospitals traditionally work as a series of firms, each headed by a consultant with a retinue of junior doctors.)

When a patient is first referred for surgery at Ashford, the medical secretary registers his or her name, address, date of birth, operation or reason for admission and priority – "urgent", "soon" or "routine".

When the surgeon operates on the patient, he enters details of the diagnosis, surgical procedure, any complications, drugs required and special information about the case. The system stores several thousand of these descriptions, each with its appropriate HAA or OPCS (Office of Population Censuses and Surveys) code.

MicroMed can combine medical information with standard letter formats so that all regular letters, such as those sent to patients' GPs when they are discharged, are printed out automatically without a doctor or secretary having to alter the text. For example, comments on the clinical record such as "Blood pressure control seems to be very good – he may be able to do without his Antenolol; we will review this and check histology in the near future" are transferred directly to the GP discharge letters.

The system also identifies outstanding diagnoses and overdue discharges. It presents these to the doctor when he or she signs on at a terminal.

Ellis says that he learnt from early US experience of medical audit that doctors would not be tempted to use computers to analyse their performance unless the same computers also provided a practical administrative function for them and their secretaries.

Perhaps the single most useful function of MicroMed at Ashford is to present the surgical secretary with an instant report on the current status of each patient. When patients or their GPs ring up to complain about how long they have been waiting for an operation – as they frequently do – the secretary can immediately call up on screen the full facts of the case. This may not get them into hospital any sooner, but it is less irritating than the old system of putting down the phone to search through boxes of paper records for the appropriate card, which may be out of date or even missing.

New line in telephone services raises management questions

By Della Bradshaw

THE ANNOUNCEMENT by Oftel, the UK's telecoms watchdog, that companies will probably be allowed to resell part of their private telecommunications networks has caused a flurry of excitement.

But the main question facing companies wanting to provide such services, and those wanting to take advantage of them, is what sort of equipment do they need?

Resale, which could come into effect as early as July this year, means that companies can buy private telephone (voice) lines from either British Telecom (BT) or Mercury Communications and sell them on to third parties.

Companies specialising in such operations could buy lines from the two companies in bulk, at reduced tariffs, and then undercut BT and Mercury when selling a small number to an end user. The lines in question run between two points, for example London and Manchester. They can already be leased to companies for in-house use – the UK's leased line market is worth £1bn a year.

Resale would benefit business telephone users in two ways, but each creates management problems.

● There would be more companies selling business telephone services, reducing prices by competition. However, companies wanting to mix telephone services from a number of suppliers would have to carry out complicated calculations to get the best deals.

● Companies with existing private telecommunications networks could lease their spare capacity to other companies, so cutting overheads. But this poses the problem of how to calculate which companies have used which services so that they can be billed.

One answer is for the business user to learn from the companies which already offer private network services. Electronic Data Systems (EDS), for example, which runs a voice and data service for third parties, identifies users by giving each one an individual connection point.

Paul Franklin, director of satellite services for EDS, explains that as the calls pass through the network's exchanges, information about their source and destination is fed into a data collection point, or call-logging centre, for analysis. EDS has one centre for data going to destinations within the UK and another for overseas traffic. The equipment comes from Systems Reliability, of Luton, and Communications Control of London.

Many companies have their own call-management systems attached to private telephone exchanges. The system monitors the calls made and produces bills itemised by extension or department.

Increasingly call-management equipment is being used to allocate costs to individual departments within a company, or to individual companies within a group. David Bacon, UK sales manager for Systems Reliability, says that some large networks have been developed for multi-national companies. "Sophisticated call-management allows them to bill the different companies in the group individually."

In addition, call-logging systems hold in memory all BT and Mercury tariffs, which can be used to calculate which services are cheaper for which routes. The tariffs of additional operators could be fed into the equation.

Jeremy Crouch, marketing director of Business Telecommunications Services (BTS), of London, believes that the spread of call-management equipment will facilitate the resale of spare capacity on company networks.

BTS has developed a central control terminal for its call-logging systems which uses colour graphics to depict the customer's private network on screen. This enables the telecommunications manager or engineer to zoom in on problem areas and pinpoint the location of faulty equipment.

Desert water piped to Libya's towns

By Michael Swiss

AN AMBITIOUS project to bring fresh water from underground Saharan reservoirs to the coastal regions of Libya should be in operation by next year.

The project, known as the Great Man-made River, provides for the laying of huge lengths of pipe between buried water fields in the desert and consumers in the cities and agricultural regions along the Mediterranean.

The estimated cost of $3.3bn is being raised by public subscription in Libya and the work is being carried out by a South Korean company, called Dong Ah.

Water was discovered during prospecting for oil and gas some 20 years ago. There are four water fields: Kurfa, Tazerbo, Sarir and Fezzan, stretching west to east across the desert some 1,000 km south of the coast.

Most of the country's 4m population live in the coastal region and the water reserves in these four fields are estimated to be enough to meet their requirements for 50 years.

In the first phase, due to be completed next year, water will be taken from Sarir (126 wells) to a nearby intermediate header tank, and from Tazerbo (108 wells) to the same tank – a distance of 286 km. It will then run by gravity along a pair of four-metre diameter pipes to the Ajadabiya reservoir, east of Brega.

This reservoir will hold 4m cubic metres and feed water to the coastal population via two pipelines. One will serve Brega and Sirt (it will eventually be extended to Tripoli in phase five) and another to Benghazi. In phase four, a third pipeline will be laid to supply Tobruk.

The pipes, ranging in diameter from 1 m to 4 m, are made of helically welded steel, coated with concrete and externally reinforced with steel wire. They are further protected by an anti-corrosive layer of mortar.

Forty per cent of all the pipes for phase one were in place by the start of this year and the 1,500 km road to service the pipeline was 90 per cent complete.

In phase two, due to start next year, water from the Fezzan water field will be taken to Tripoli; phase three will bring water from Kutra to the Sarir reservoir.

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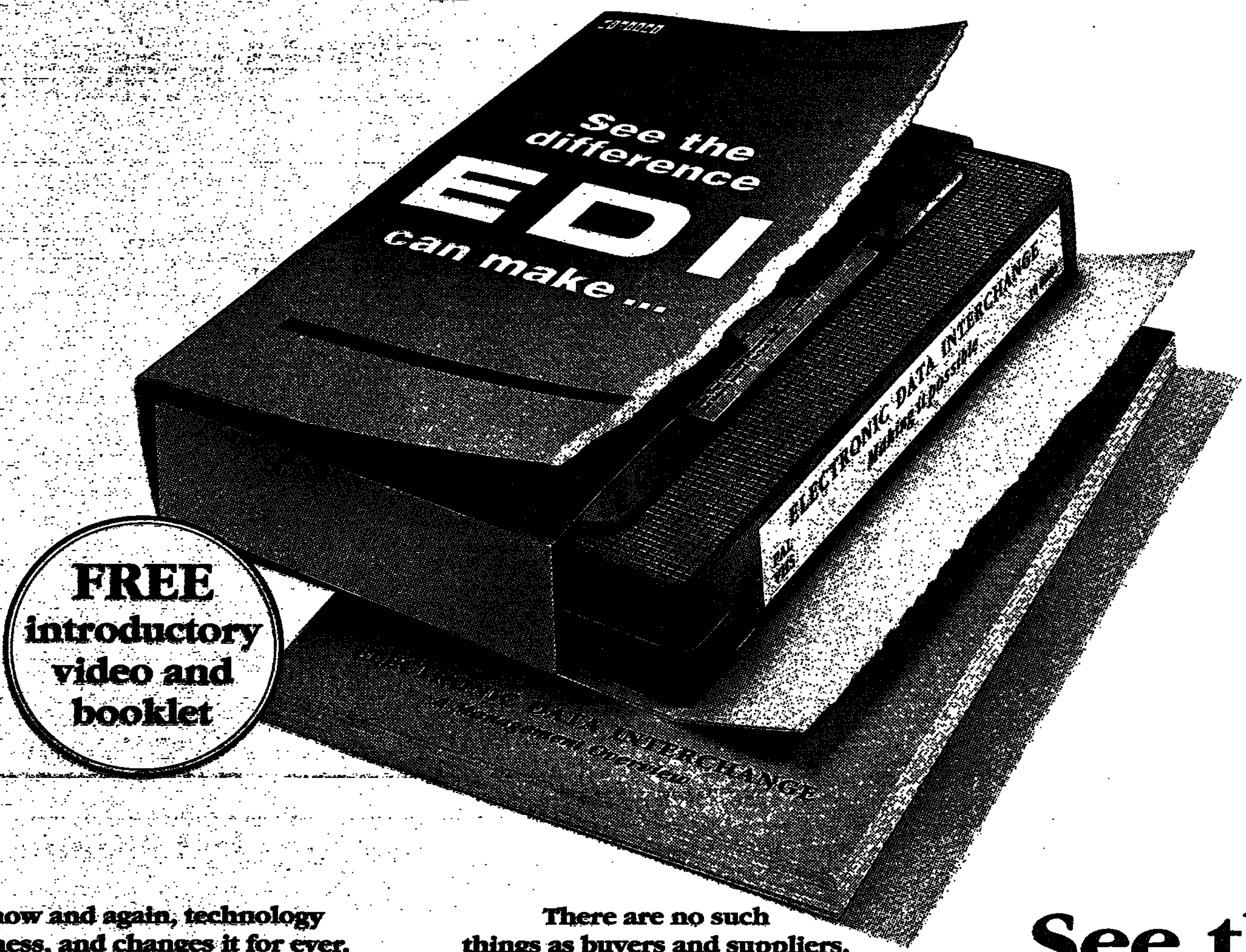

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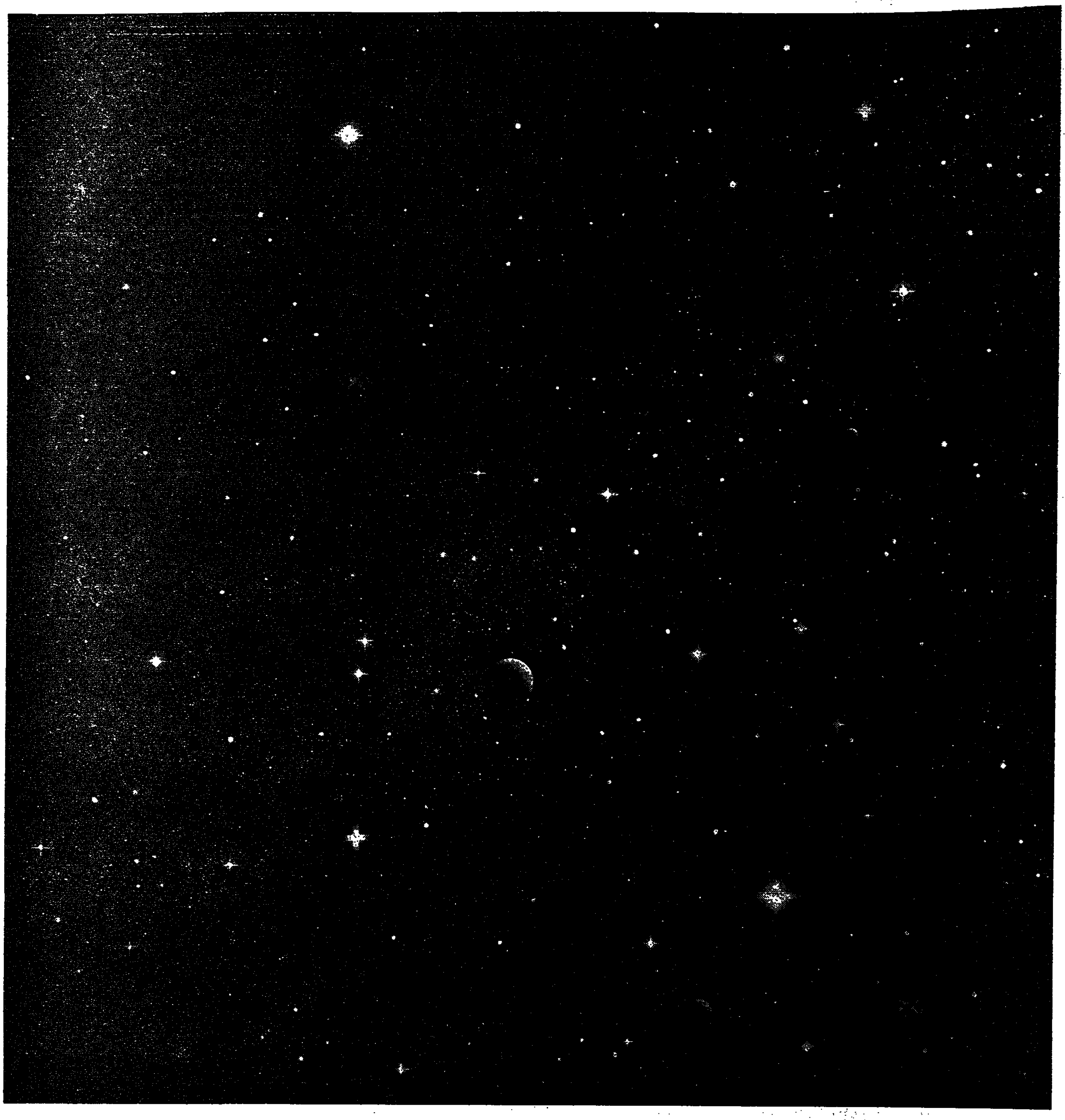


Jane Horrocks and Peter Capaldi — Alastair Muir

Valued Friends

HAMPSTEAD THEATRE

Stephen Jeffreys' new piece about a group of friends sharing an Earl's Court basement flat in the recent property boom is at first glance an enjoyable comedy, at second glance a perceptive, bitter-sweet study of a relationship askew, at third glance a statement about human insecurity and the cross-purposes that afflict people even when desperately attracted to each other, at fourth glance a comment on defining one's identity by material possessions . . . In fact, as can be gathered, it has the multi-layered texture of a good play.

Hampstead Theatre's new management is part of the Bush Theatre's old management, and it shows in the choice of play: observant, literate, wry, it has the former Bush trademarks. It starts out like a cross between the hideous Radio 4 *Citizens* and a Doug Lucie martini of gall and wormwood about the articulate classes. The four flatsharers are daffy northerner Sherry, trying to make it as an alternative comic; economics lecturer Howard a working-class Scot; cool, smooth Marion, in marketing; and Paul, a rock journalist whose obsession with the past (happier writing about the Searchers' 25 years on the road than anything new) parallels his devotion to the flat and the sociable status quo.

The devotion is tested by a new landlord, a suited young developer with cellular phone who replies to Sherry's "My Equity name is Sherry St George" with an interested "Equity? You deal then?" His attempts to get the tenants out, their purchase of the flat, and the buying out of Sherry prior to her world trip occupy the first half.

In the second act the domestic comedy darkens. Paul and Marion are estranged; she is acquisitive and wealthy, he doggedly identifies with the refurbished flat, agonisingly renovated without professional help. Tim McInnerny plays the comedy dead seriously to great effect: "My kitchen will be a good kitchen," is uttered with the ferocious intensity, and absurdity, of the fanatic. As a symbol of their relationship, the flat is cherished and bartered, cossetted and abandoned. The exasperated Howard is in the middle. Eventually Paul moves in with another girl in Whitechapel, engaged on doing up another house. Marion remains in the cool white splendour of her des res, having bought out his share. "A nice place you've got here," says Sherry, interspersing her new comedy success with delivering meals ordered from a send-out dinner-party firm; and leaves her to it.

The action unfolds between 1984 and 1987. Even that recent period has a sense of history that the play captures, reflecting the extraordinary movement of our time. Robin Lefèvre's direction seconds the writing by not overstating orunderlining, and the excellent cast are convincing as long-term friends baffled by the phenomenon of growing up

Jane Horrocks' Sherry avoids self-conscious northern drollery, so easily an irritation; Peter Capaldi's first-generation Govan professional ("That's how I got my First – fear of hard physical labour"), Serena Gordon's casual Marion, caring in her off-hand way, and Martin Clunes' young financial thruster all, for reasons of apathy, affection or greed, covet Sue Plummer's set, with its absolutely right studenty furniture – odd chairs, dark-stained wood, mass-manufactured barley-sugar legs. In the design, as in the writing, time, place and social circumstance are pinpointed with small telling details.

Martin Hoyle

TELEVISION

Realism loses sight of the drama

The location is a shabby English seaside resort. If the drama is set in summer, then it is raining. If it is sunny then the drama is set in the winter and the promenade is deserted except for the occasional sad pensioner. The main character is a lower middle class teenager who may live in the town or be visiting. Either way, the adults involved, whether parents or guardians, are repressive, hypocritical (greeting any sign of adolescent libido with outrage, yet indulging in various sexual oddities themselves), mean, bigotted, ignorant, and rabid supporters of conservative organisations: Chamber of Commerce, British Legion, possibly even the Conservative Party itself. Do you feel a sense of *déjà vu*?

The theme of the drama is teenage rebellion laced with sexual awakening, but there are few truly dramatic moments, most of the action fitting into two standard types of scene. In the first there is a row about clothes/boys/girls/pop music. This is shot in a claustrophobically small set, decorated in obsessive detail with flying plaster ducks, "contemporary" 1950s furniture, yellowing copies of the Daily Sketch, and other expensively hired "period" minutiae.

In the second sort of scene, the teenager traverses the promenade, either pedalling furiously on a bicycle or wandering dejectedly on foot. Either way, tears are in evidence. So are enamelled advertising signs, pristine "period" motor cars and delivery vans, sleeveless Fair Isle pullovers, and steam trains. Every 90 seconds or so the camera cuts away to the cold, grey sea, and the soundtrack is filled with the mournful squawking of gulls.

The sense of *déjà vu* occurs because British television drama departments seem to turn out this story anything up to three or four times a month. (The most recent are gathered together once in a while and taken to foreign festivals where they are paraded under the generic title "The British Film Industry.") Usually these productions are beautifully lit and photographed, and marvellously well acted. They are also mawkish, repetitive, and suicidally depressing. Their chief purpose appears to be the auto-psychoanalysis of those who make them – but my goodness they are "realistic."

Realism has become the byword and the bugbear of British television drama. When it comes to the re-creation of period detail, no television industry in the world can compete with ours. Who else would *care* whether the cigarette coming out of a Craven-A packet was a Craven-A cigarette? Competition to get the detail right is now so keen that it often feels as though the cameras must actually have been taken back to a 1954 provincial town, or a 1946 London street.

The same passionate dedication to achieving a supremely realistic look and feel is brought to modern drama, too. The first of "three dramas from Northern Ireland" on BBC2 recently, *Elephant* was positively eerie in its realism: the garages, factories and farmyards of Ulster were lit and filmed with such scrupulous care by Alan Clarke that you really felt you were present. But to what end? So that he could show us – with no explanation, no context, not so much as a word of dialogue – a stream of (presumably) sectarian murders. Again and again expressionless young men emptied entire magazines into inert bodies, and one looked on with a sinking heart, imagining viewers supplying their own comments: "You see? The Irish are all barmy." But never mind that because, by golly, each scene was so *realistic*.

The second drama in the trio, *The Nightwatch* by Ray Brennan was set, not in Ireland, but in Amsterdam, and was a product of the spy-realist drama school which began with *The Spy Who Came In From The Cold*. Everybody was either very, very tough or very, very suave, or both. They spoke either in brusque and violent phrases conveying nothing to the viewer other than machismo ("Don't piss me around, just don't piss me around, okay?") or in slang so obscure, brief and quiet that it told you nothing at all: part of what Kingsley Amis has identified as the "Sod The Public" movement now so prevalent in public life.

I defy anybody not connected with *The Nightwatch* to give a commonly acceptable explanation of who was supposed to be doing what, to whom, and why. For the producers such superficialities are doubtless supremely irrelevant when compared to the really vital business of making the hotel rooms, the prostitutes, and the murky bars seems "real." In this, it must be admitted, they succeeded completely.

The two most recent works in BBC2's Sunday night drama series "Screen Two" have also strained for ultra-realism. Daniel Boyle's *Leaving* showed tremendous daring by moving into into the 'sixties – well, 1960 – and showcasing its period vehicles and enamelled advertising signs in Greenock which, although it is on an estuary, can hardly be called a seaside resort. So far as I know it has no promenade at all.

This seemed to make little difference to the repression of the teenagers, though I cannot swear to that because, after 20 minutes of trying very hard, I was obliged to stop watching since I could not understand a word of the Scottish dialect. Once more one assumes this was wholly "realistic," even if it did make the work about as comprehensible to 95 per cent of the viewing public as if it had been scripted in Serbo-Croat.

This week's "Screen Two," was questionably realistic in an entirely different manner. *Virtuoso* told the story of the mental breakdown of pianist John Ogdon, and the peculiarly insensitive reactions of his wife, Brenda. The acting of Alfred Molina and Alison Steadman was outstanding, but that is scarcely the point. Nor is it particularly significant here that a play reflecting so badly on Mrs Ogdon should have been based upon a book she co-wrote. The big question is: why show such a drama at all? And the answer must be: because these things really happened. If the work was mere fiction – about pianist Charlie Farnsbarns and his wife Mary – you could not expect anybody to watch.

In other words the attraction of this piece is suspiciously similar to the attraction of the scandal-mongering in the tabloid newspapers. No newspaper would bother to carry salacious items about fictional politicians or fictional pop stars: the only attraction is that such people are "real." Yet while real, the Ogdon story has little of the universality of application that marks out great drama. On the contrary, although only too horribly realistic, this looked like prurient intrusion, even if Mrs Ogdon did write the book.

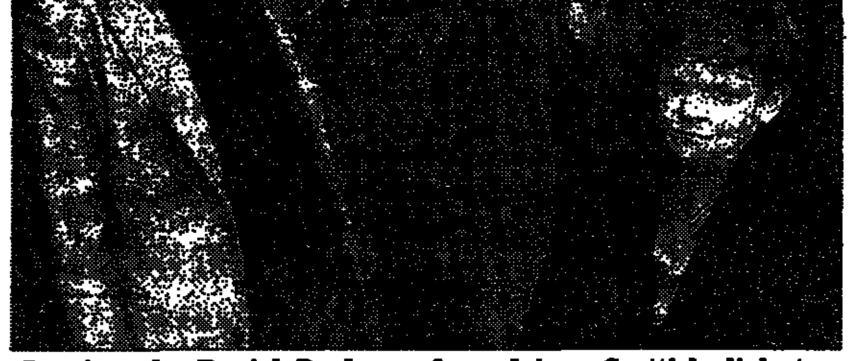
There is a wonderful irony about the "Screen Two" series: they are marked in *Radio Times* with the vertical "FILM" logo, complete with sprocket holes, which is obviously supposed to convey the idea of cinema. The irony is that the fanatical realism which characterises so much British television drama is completely at odds with the central tradition of the cinema.

On the night before the screening of *Virtuoso* BBC2 showed Charles Laughton's *The Night Of The Hunter* and Rouben Mamoulian's *Dr Jekyll and Mr Hyde*. Though both contain moments of terror, neither strains desperately for surface realism, and the clear primary intention of both is to entertain. You often get the feeling that the word "entertain" is anathema in British television drama departments, except when undemanding soap opera or period whodunnits (*Hannay, Poirot*) are in production.

There is a danger of ending up overvaluing a series such as ITV's *Young Charlie Chaplin* (currently being shown, for no clear reason, on Wednesday afternoons) simply because it sets out not with the single minded intention of achieving super realism in every prop, location, vehicle and handbill – though to be fair, its location filming is attractive enough – but because it so clearly intends to entertain, and succeeds.

For what shall it profit a drama department if it gain every authentic Players Navy Cut packet in the world, yet lose sight of the primary purpose: to entertain?

Christopher Dunkley



"Leaving" by Daniel Boyle, performed in a Scottish dialect so incomprehensible it could just as well have been Serbo-Croat

Elijah's Violin

BARBICAN HALL

Robert Saxton's outstanding commissions include a Violin Concerto (for next year's Leeds Festival) and an opera (with Arnold Wesker, for Opera North in 1991). *Elijah's Violin*, which Jeffrey Tate and the English Chamber Orchestra introduced on Monday, might well have a bearing on both on these projects – it contains generous swatches of bravura writing for solo violin, and illustrates a narrative scheme with some big, easily apprehended gestures. But the Jewish folk tale that gives the work its title provides only the *raison d'être* for a few signposts through the work; Saxton describes it as a "small symphony in four linked movements" and certainly the abstract musical structure is entirely convincing and self-sufficient.

There are, as always with Saxton, some striking aural inventions: the interlocked horn fifths with which the work opens, and which return in the finale, the consistent use of clean, bright octaves to break moods and carry the music into fresh tonal areas, the languid unfolding with which the third movement begins. Saxton's ideas are conceived more simply nowadays, the textures are less busy, the colours primary rather than pastel. As a language in the process of being forged into a theatrical mode it promises well, though whether it serves its purpose convincingly in *Elijah's Violin* is less certain.

The scoring is light – seven wind and strings – and the instrumental palette correspondingly restricted. What Saxton asks of those resources is sometimes over-ambitious, and there are passages which seem to presuppose a much larger band. A great burden is placed on the strings – too many holes have to be filled with busy figuration when new ideas would seem to be required – and one is left with the sense of an incomplete torso, carefully planned but perhaps hurriedly fleshed out and clothed, rather than of a fully finished, immaculately realised composition.

That same sense of incompleteness strangely carried through the rest of Tate's programme. Both Elgar's Introduction and Allegro and Bridge's *There is a willow* were immaculately prepared and lovingly shaped but never allowed to flow naturally, while in Britten's Cello Symphony Yo-Yo Ma delivered a technically faultless account of the solo part, yet failed entirely to dig beneath the surfaces to find its discomfiting core.

Andrew Clements

Balanchine and Bintley

COVENT GARDEN

Sadler's Wells Royal Ballet began a brief Opera House season on Monday night on brilliant form in Balanchine's *Theme and Variations*. This is the staging on which I reported with such pleasure at its Birmingham première last October. The handsome swaggings of Peter Farmer's grand set frame the frosted gleam of his costuming; under Ormsby Wilkins the Opera House orchestra plays Chaikovsky with finesse and a fine rhythmic energy for the Polacca of the Suite No.3; whose closing movement is Balanchine's text; and the SWRB dancers take the stage with an evident pride and a no less evident discipline of style. I think it the best local Balanchine production since the great days of *Ballet Imperial* in the 1950s.

That it is so, is in no small part due to Miyako Yoshida and Petter Jacobsson in the leading roles. Their dancing has the distinction of manner and the technical resource that are essential for roles made on Alicia Alonso and Igor Youskevich – and memorably danced by them at Covent Garden. But watching Miss Yoshida and Mr Jacobsson I did not pine for the past: they gave interpretations whose assurance and grace of style carried everything in splendour.

Miss Yoshida is a true ballerina, unemphatic but radiant in presence, who shows the choreography most sweetly to us; Mr Jacobsson, with his Kirov training, has a clarity and purity of means, and a technical resource, that mark him as the finest classic danseur in the country. The supporting ensemble looks clean in schooling, excellently matched in unity of style. (And how good to see bright satin shoes on the bright-footed women: the resident company seem shamefully uncaring about both footwork and shoes). And as the great patternings of the final Polacca fill the stage, we rejoice both with Balanchine's genius and with a cast who do honour to a major work of art.

There followed the first performance of David Bintley's *Hobson's Choice*. In an endeavour to keep reasonably calm in reporting on this event, I list a few facts. The ballet is in two acts – the first lasting 65 minutes, the second a mere 40 – and is a careful adaptation of Harold Brighouse's well-known play. There are sets, act drops and costuming by Hayden Griffin, of laborious verisimilitude in recreating Salford at the beginning of this century. There is a specially composed score by Paul Reade which is by turns heavily jocose, vulgarly sentimental, relentlessly energetic, and sounds as if it were composed for an Ealing comedy of no great distinction.

Mr Bintley has ignored no cliché about Northern life in Edwardian times, and provides comic capers, a wedding night, a dance in a park, drunkenness, a pram, on-stage piano playing, the Salvation Army, unsparing energy, simple charm and merry pranks, and two outbursts of clog-dancing, in an interminable outpouring of choreographic predictabilities.

Here is ballet as the lowest common denominator of taste and art, received ideas masquerading as inventiveness, caricature as character, cheap-jack joinery as creative form. Perhaps the worst thing about the piece is that Mr Bintley's balletic craft and his true sense of theatre keep showing through the shoddy of the action: despite *Hobson's Choice*, he is a choreographer. He has inspired excellent performance from his cast, led by the wonderfully resourceful and charming Michael O'Hare as Will Mossop and Karen Donovan as a sympathetic Maggie. The company labour with evident high-spirits that merit a far better cause.

I report, without further comment, that the audience on Monday night was plainly delighted with every moment, and that no joke went unappreciated, no blatancy but won its delighted laugh. Miyako Yoshida and Petter Jacobsson were cast in a tasteless Salvation Army divertissement – "tasteless" being a comparative term in a work where taste is the last consideration – and may chose to ponder the extremes to which their careers can take them during a single evening.

Clement Crisp

London Philharmonic

FESTIVAL HALL

In London the young Austrian conductor Franz Welser-Möst has already made notable impressions, both in achievement and of further promise. He rose to a formidable challenge with the LPO on Monday: though Bruckner's last symphony, the grand but unfinished Ninth, is commonly placed in the category of music destined by nature for venerable maestros, the Welser-Möst appetite seems – like Simon Rattle's, a suggestive comparison – to be whetted by that.

First, however, he accompanied the pianist Tamás Vásáry in Mozart's early "Jeunehomme" Concerto (not for a young man, but for a lady pianist of that surname), K. 271. Working in suitably reduced orchestral terms, Welser-Möst gave the precocious drama a bold outline; Vásáry was sensitive and – as often – meticulous to the point of brittleness. They co-operated most happily in their darkling but full-blooded Andantino. In the outer movements Vásáry's fingerwork carried a suggestion of scramble, which blotted some phrase-shapes and in the Presto finale induced some anxiety: was that rattling tempo really his choice? The main rondo-tune disappeared under his thumping left hand every time round, surely inadvertently, but the inset minuet-with-variations was turned with charm.

Welser-Möst's Bruckner bristled with positive ideas. Alertly flexible tempi in its three extended movements, leaning toward quickness and urgency – three sharp, highly-charged accelerandos in the first movement, but no "elevated" slow-motion; vividly realised gestures, both hortatory and melting, but unafraid of an occasional harsh edge; in many passages, a daring insistence upon Bruckner's clamorous polyphony (articulated here with muscle), instead of choosing a principal voice and subordinating the rest to that. Often the character of Bruckner's counterpoint does precisely invite listeners to do their own pick'n'mix, where a seasoned old conductor may prefer to sell you *his* preferred focus.

Some breadth and depth were nevertheless missed – not by comparison with any "ideal" reading, but in the terms of Welser-Möst's own performance. Well before the coda of the first movement, there was a plain sense that the rhetorical bolt had been shot – that the music had already reached its peak of intensity, with nowhere further to develop but some way still to go; and after the tense vicissitudes of the Adagio, Bruckner's visionary serenity at the close sounded under-prepared and therefore oddly abrupt. The towering malevolence of the whole Scherzo was remarkable, however, like the contributions throughout from the first flute and his colleagues and from leading oboe and clarinet (in order of the favour the composer accorded them), perceptive Brucknerians all. An older Welser-Möst with this orchestra may one day confirm real revelations: gripping musical thought at full stretch, with room for rumination but none for momentary thrills nor conventionally pious effects.

David Murray

ARTS GUIDE

February 10-16

THEATRE

London

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation drama. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Feb 13-16, March 1-4.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).

Hedda Gabler (Olivier). Juliet Stevenson is energetically wilful in fine National revival using a new Christopher Hampton translation. A full-scale, monumental reading, with European design to match by Bob Crowley. Howard Davies directs, Norman Rodway is Judge Brack. Feb 18-21, then no perfs till late March (928 2252).

The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed in various styles by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Rotterdam

Evita (Doelen). Original Broadway production with Florence Lacey. (Mon, Wed, Thur). (413 2490).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on book mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Björnson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Marcel Marceau (City Center). Month-long performances by the legendary French mime mark his first appearance in New York in six years. Ends Feb 26 (581 7907).

Washington

Miss Saigon (Eisenhower). The creators of Les Miserables introduce their latest musical, an adaptation of *Madame Butterfly* with a setting of some familiarity in Washington. Ends May 1 (254 3670).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. Kabuki-za (541 3131). The matinee performance at 11.30am features four works, including a recent showpiece, *Genji Monogatari*, a tale of the Genji clan. The final play in the evening performance at 4pm is *Megumi no Kenka (The Fight with the M Brigade)*, which features a spectacular and amusing fight between firemen and sumo wrestlers and stars Onoe Kikugoro VII, for whose great-grandfather the play was written. Tickets are available for a single act and the theatre provides informative English-language programmes and earphone commentary.

Bunraku. National Theatre; The World of Chikamatsu. Chikamatsu Monzaemon (1653-1724) is often described as the Shakespeare of Japan; he wrote primarily for the bunraku puppet theatre, helping make it one of the world's most sophisticated art forms. At 11am: *Horikawa Nami no Tsuzumi (The Echo of a Drum near the Hori River)*, by Chikamatsu. At 3pm and 6pm: plays by Chikamatsu Hanji and Yoshida Kanshi (265 7411).

Beneath the Blooming Cherry Trees. Written and directed by Hideki Noda. Seinenkan Hall. Japan's liveliest fringe company, Yume no Yuminsha, is wildly popular among young Japanese and has now built up a substantial international reputation following performances at the Edinburgh and New York Festivals (496 1051).

How to Sleep in Space, Prologue. Kinokuniya Hall, Shinjuku. Popular fringe company Daisan Butai in a revival of a 1981 production set in a nuclear shelter. The survivors take turns in revealing the corruption of their lives (354 0141).

Asinamali. Space Part 3, Shibuya. Anti-apartheid musical, performed in English by the Committed Artists group from South Africa. The title means "We have no money", but its meaning is "We have suffered enough" (477 5858).

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A hamstrung giant

IT IS THE talent, hard work and thrift of the population that has made this resource-poor economy among the world's most successful. The thrift is shown in household gross saving, which was 22 per cent of disposable income in 1987, the highest among the Group of Seven industrial countries. Contrast, for example, the 12.1 per cent of French households in the same year, not to mention the 5.4 per cent of the British or 3.3 per cent of the Americans.

The talent and hard work are revealed in the performance of manufacturing industry. Labour productivity in manufacturing rose by 4.8 per cent a year between 1983 and 1986, while the sector has consistently generated a sizeable trade surplus.

The successful performance of the economy is made more remarkable by the proclivities of its politicians. One party has remained in government since the end of the Second World War, but the governments in which it has been involved have been consistently enfeebled by factionalism and corruption. None the less, the politicians have failed to stop success. Since 1983, for example, real gross domestic product has consistently grown at over 3 per cent a year.

The country under discussion is Italy, not Japan. Yet a careful perusal of the Organisation for Economic Co-operation and Development's latest survey of the country reveals that the comparison is not fanciful. Indeed, the Italian economy is perhaps the more remarkable of the two. To run fast is impressive; to run fast with a ball and chain on one's ankle is still more impressive.

The ways in which the public sector works remains the country's most evident problem. To take just one example from the report, Italian railways employ as many people as the French for a network half the total length.

Budget deficit

But the key policy issue remains the deficit in the central government budget, now running at no less than 11½ per cent of GDP (even though the ratio of public sector debt to GDP already exceeded 94 per cent at the end of 1988). If the US federal deficit were as large in relation to GDP it would verge on $600bn, not the mere $170bn expected in the present fiscal year.

The difference between the two countries is, of course, the level of private savings, with the thriftiness of Italy's citizens ensuring that the problem remains strictly a domestic one. But the problem has grown greater in the 1980s as the Government has managed to curb inflation, but not the deficit.

Huge deficits

During the 1970s public debt was progressively eroded by inflation. Between the end of 1974 and the end of 1979, for example, the ratio of public debt to GDP rose by only 10 percentage points, despite huge and persistent deficits. In the 1980s conditions have changed, with real rates of interest now greater than the GDP rate of growth.

As exchange controls have been attenuated (to disappear altogether in 1990 if all goes to plan) short term real interest rates have been driven above those abroad by the need to persuade Italians to hold a growing portion of their wealth in government liabilities. These high interest rates put the ratio of debt to GDP on an explosive path as long as the primary fiscal deficit (that is, the deficit excluding interest payments) continues.

If inflation is no longer an option, the Government will be forced to curb the fiscal deficit in the end – although one would not guess this from its recent behaviour towards the unions. Yet Italy cannot avoid choosing between playing a full part in the financial integration of Europe, or keeping its unique approach to public finance.

Not that its trading partners will necessarily welcome the results of a radical fiscal reform. At present, Italy has a modest current account deficit. If the fiscal deficit were to be eliminated without an equivalent adjustment in the expenditures of the private sector, Italy would generate a huge current account surplus. Given the objections to Japanese and West German current account surpluses, perhaps the rest of the world should be grateful for the determination with which the Italian state hamstrings the Italian economy.

Middle East confusion

AS MR MOSHE Arens, the Israeli Foreign Minister, prepares to meet Mrs Thatcher and Sir Geoffrey Howe in London today he hardly needs reminding that Israel's international image has been badly tarnished by the 14-month-old Palestinian uprising.

Israel correctly tells the world that it is a democratic island in a sea of Arab authoritarianism. Israelis are therefore acutely embarrassed and confused to be portrayed, no less correctly, as the oppressors. That confusion can be put to good use by well-wishers in the US and Europe to bring about progress towards Middle East peace in 1989.

It will be a poor negotiator who cannot extract at least a modicum of flexibility from Israel's discomfort. Opinion polls consistently show Israeli voters to be more open to the idea of negotiations with the Palestine Liberation Organisation than most of the politicians they elect; a poll published last week said 53 per cent favoured talks with the PLO, provided the organisation honoured Mr Yassir Arafat's recent renunciation of terrorism and his acceptance of Israel's right to exist.

Vague statements

The chagrined Israeli response to Mr Arafat and to the diplomatic fallout from the *intifada* has so far been less than edifying, even if allowances are made for the divided nature of the new coalition government between Likud and Labour. Mr Yitzhak Shamir, the Prime Minister, and his cabinet colleagues have hurriedly issued a series of vague and sometimes contradictory statements about proposed Israeli peace plans.

Mr Shamir has said he will be willing to withdraw Israeli troops from towns in the territories if the Palestinians accept some kind of autonomy. Mr Yitzhak Rabin, the Defence Minister, envisages local elections, autonomy for the territories and negotiations on a final settlement. Mr Rabin's plan, however, has no support from the Israeli government as a whole, nor from the excluded PLO, which wants a complete Israeli withdrawal and full independence. There is a sense of *déjà vu* in both proposals. Autonomy and troop withdrawals from Palestinian towns were, after all, part of the 1978 Camp David Accords.

Israel's diplomatic loss has so far been Mr Arafat's gain. The PLO leader has earned international credit by making commitments on terrorism and recognition of Israel. But when it comes to confusion, the PLO is no better than Israel. Its disparate officials across the Arab world have deep and public disagreements about how Mr Arafat's new moderation should be interpreted.

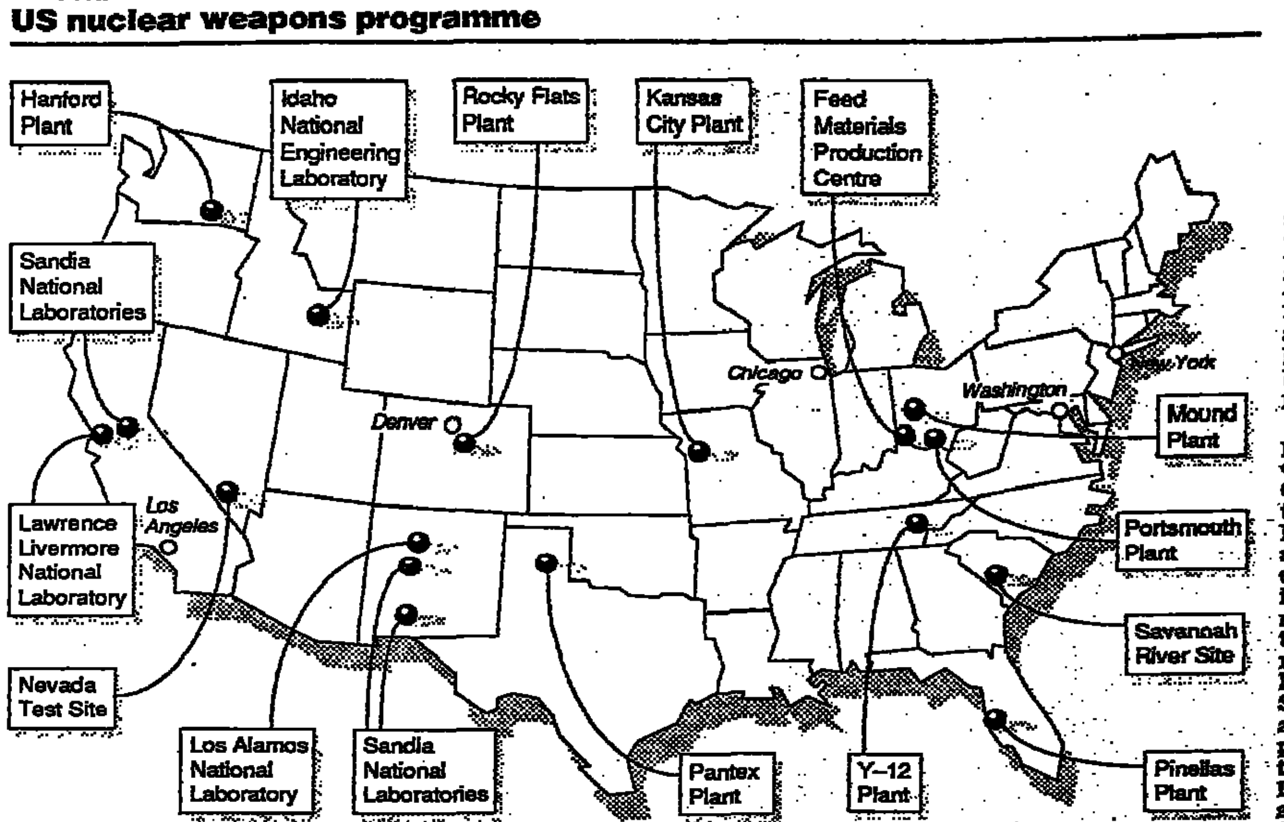
Interim solution

The confusion in the position of both sides may actually help an acceptable interim solution to emerge from the exploratory Middle East peace efforts of the Bush Administration and the European Community. Mr Shamir is expected to visit Washington soon, and three EC Foreign Ministers have been visiting Israel's Arab neighbours.

With neither Palestinians nor Israelis prepared to accept the final demands of the other side, interim proposals – perhaps combining Mr Shamir's withdrawal from the towns with Mr Rabin's elections (preferably under UN or other neutral supervision) and full autonomy – could, if backed by the superpowers and the EC and linked to a timetable for negotiating a final settlement, have more success than an attempt to settle everything at one big conference.

For the Palestinians, that will mean accepting, at least in the first instance, something less than full sovereignty and a complete Israeli withdrawal; for the Israelis it will mean recognising that elected Palestinian officials are likely to support the PLO. But it should also mean, and both sides should appreciate, an end to the current violence in the West Bank and Gaza strip. For it is not good for either side that the killing of Palestinians has become more or less a daily occurrence; nor that the killing of Jewish settlers, though so far less frequent, has become part of the same frightening routine.

US nuclear weapons programme



The nemesis of the reckless years

James Buchan reports on the deepening crisis in the US nuclear weapons programme

IN November 1942 the Du Pont corporation of Wilmington, Delaware held an unusual board meeting. As the directors walked into the boardroom, they were asked not to look at a set of papers laid face-down on the table before them. Mr Walter Carpenter, the company president, told the board he was recommending that Du Pont should take a government contract so large, difficult and dangerous that it could damage the corporation and even, in some circumstances, destroy it.

Each board member, he said, was free to read the papers before voting. Twenty years later, General Leslie Groves, overall commander of the Manhattan Project for the development of the atomic bomb, wrote of the meeting: "Not a single man, and they were all heavy stockholders, turned the papers over before voting approval."

The contract was for a plutonium reactor, which Du Pont duly designed and built in 560 square miles of sage-brush desert at Hanford, Washington state. In time, the pile turned out enough plutonium to destroy the city of Nagasaki. Du Pont received its costs and one dollar for profit. In 1950, Du Pont undertook to operate new reactors on the Savannah River in South Carolina to produce tritium, a highly fissionable gas used with plutonium in nuclear warheads.

It has taken until now for Walter Carpenter's warning to come home. Du Pont's work for the US nuclear weapons programme, launched with such reckless, can-do optimism in the dawn of the nuclear age, is ending in a welter of recrimination. The US Department of Energy, alarmed about safety and environmental hazards at the 300-square-mile Savannah River site, has shut down all three of its functioning reactors. Du Pont is protected from liability by its cost-plus-a-dollar contract, but not from damage to its corporate image. At the end of March, the company will pull out of nuclear production.

Savannah River is just one of 17 elderly reactor sites, test areas, assembly plants and laboratories that make up the US nuclear weapons programme. All the sites date back to Gen Groves's Manhattan Engineer District or its civilian successor in the Cold War, the Atomic Energy Commission. After five months of relentless investigation by Congress and the press, Energy Department officials admit, though with varying conviction, that the whole complex is suffering from age, neglect and poor safety and environmental management.

Admiral James Watkins, the new Energy Secretary, faces the hardest task of any Cabinet official in the Bush Administration. His department is divided. Ranged on one side are old-line officials, who believe the production programme is sound but short of capital, and, on the other, agitated safety and environmental experts, many of them brought in by Mr John Herrington, the outgoing Secretary.

The department is under constant fire from Congressmen and state governors, who complain they have been betrayed and misled by the Federal Government for 40 years. And in small towns from Hanford to Fernald, Ohio and Amarillo, Texas, thousands of Americans are suddenly desperately worried about pains in the stomach, or hair loss, as the first symptoms of radiation cancer.

In this atmosphere Admiral Watkins must tackle three challenges:

● The US has produced no nuclear weapons material since last April. There are ample stocks of Hanford plutonium, but tritium, a radioactive form of hydrogen, decays rapidly. The Defence Department has warned that unless Savannah River is restarted, it will soon start dismantling some of its 20,000 weapons to recapture their tritium supplies. Thus the US is being forced into arms control measures that it has not negotiated with the Soviet Union. "Crisis is not too strong a word," says Mr Frank Gaffney, former deputy assistant secretary for nuclear forces at the Pentagon.

● Plant and management have deteriorated. None of the nine plutonium reactors at Hanford is working and a plutonium assembly plant in Colorado has just been shut down because of poor management. Radioactive waste is backing up in the system because a permanent repository in New Mexico cannot open because of misgivings over its design. Just to shut the most antiquated plants and consolidate the remainder, the department thinks it will need to spend an extra $52bn (£30bn) over the next two decades – on top of its current $9bn-a-year budget.

The whole weapons complex is suffering from age, neglect and poor safety management

● The weapon sites are among the most polluted places on earth. In the rush to develop the bomb in the 1940s and 1950s, engineers dumped noxious solvents in the ground or buried radioactive waste in single-shell tanks that have leaked into groundwater. For years, the Fernald plant near Cincinnati released deadly uranium particles into the air. According to Mr Ray Berubi, the leading environmental specialist at the Energy Department, it could cost up to $47bn to restore Hanford to public use – more, perhaps, than rebuilding Nagasaki.

For people outside the US, the paralysis of Washington's nuclear weapons programme raises two questions. If this is the state of the world's oldest reactor complex, how is the second generation of nuclear bomb factories faring in the Soviet Union, the UK, and France? And how will politicians and bureaucrats handle potential problems in these less open societies?

The origins of the crisis in the US programme are only just becoming apparent. At one level, the ageing weapons reactors are like shuttered steelworks: a symbol of declining US competitiveness and defective investment. At Savannah River, for example, maintenance spending was less than 2 per cent of replacement cost, or less than half the industrial average. At another level, the problems are those of any inbred bureaucracy.

The heroic figures of the Manhattan project – Groves, Robert Oppenheimer, Enrico Fermi, Ernest Lawrence – gave way through the 1950s and 1960s to run-of-the-mill officials. "Over time," says Ms Gail Bradshaw, a 30-year veteran of the programme, "we went from being leader of the pack in government, academia and industry to falling far behind." The decline accelerated during the Carter Administration, which abolished the Atomic Energy Commission and created the Department of Energy. The Reagan Administration tried at first to dissolve the department and shunt the weapons plants to, of all places, the Commerce Department.

The weapons programme became a backwater. Contractors such as Du Pont were given great freedom in running the plants. The Three Mile Island accident in 1979, which brought sharp improvements in safety and environmental procedures in the civilian industry, made little impact at the weapons plants. "We ran on a sort of honour system," Ms Bradshaw says. "Because there were no major accidents, the general feeling in the department, the Office of Management and Budget and the Congress was that everything had to be all right."

Critics are more scathing. Mr Dan Reicher of the Natural Resources Defence Council, a campaigning environmental group, says: "Flawed as the Nuclear Regulatory Commission is, it provides outside oversight of the civilian industry that simply doesn't exist with the weapons complex." Mr Gaffney says: "At Energy, there was a complete lack of adult supervision."

One result was that the officials ignored – or were not told of – a string of problems at Savannah River, where 30 serious incidents involving power surges, cracks or overheated fuel rods had been logged by 1985. That year the Reagan Administration blithely rejected proposals to build new tritium reactors to replace the 30-year-old plants.

Leading Congressmen fear that little money will be left for cleaning up the nuclear plant sites

"I accept this was clearly a bad decision," says Mr Troy Wade, who heads the defence production programme at the department. "I was party to that decision. We couldn't see any reason why we couldn't coax the Savannah River reactors for a bit longer. As of three years ago, we could not have said that we knew of any life-threatening limit to their lives." Mr Gaffney says the Pentagon did not press the issue out of a mixture of inertia and fear that it might have to pay for the reactors.

The "life-threatening" limit was the accident at the Chernobyl plant in the Soviet Union in early 1987. Mr Herrington, who became President Reagan's last Energy Secretary in 1985, "did not want a Chernobyl on his conscience," as one official put it. Among other measures, he appointed a new safety overlord, Mr Richard Starostecki, a thick-skinned and outspoken manager who has been unsparing in his criticism of Du Pont's general safety practices. The last reactor at Hanford was put in mothballs. Inspections were increased at Savannah River and at a plant at Rocky Flats, Colorado, which assembled plutonium into bomb components.

These inspectors quickly found problems. Savannah River was finally closed last August when Du Pont engineers ran into difficulties when trying to restart one of the reactors. Rocky Flats was closed in October after Rockwell, the contractor, ushered inspectors into a room containing plutonium particles. For Mr. Starostecki, a former civilian regulator, the problem is complacent management: "Sure, we have physical problems. Pipe-cracking is a problem at Savannah River. But what we need is a management team that can identify physical problems and develop solutions, like commercial organisations I've seen. The fact is that there's been a group of people at the energy department who have been isolated for 40 years."

Production staff at the department had hoped to have one of the Savannah River reactors working again by early this year. Du Pont has said the reactors could be running now. But some people in the industry, at least, doubt whether the reactors can ever be operated according to current safety standards. Mr Wade says: "I'm not nearly as concerned about the date for restart as that they're going to work for 10 years. Because it is going to take 10 years to build another tritium reactor."

The department is asking for $6.6bn to build not one but two new tritium reactors: a conventional water-cooled reactor at Savannah River and a new type of gas-cooled pile at the Idaho National Engineering Laboratory, an 890-square-mile reservation which has supported some 50 reactors over the years. Department officials say quite openly that this unwieldy plan is pork barrel for the powerful home state senators, Strom Thurmond of South Carolina and James McClure of Idaho.

There are competing plans, for a linear accelerator, for example, or for the takeover of bankrupt civilian reactors for tritium production – though this would make a mockery of US efforts to prevent the proliferation of nuclear weapons in other countries. Both plans have the virtue that they are cheaper; this could be decisive.

Leading Congressmen, and particularly Senator John Glenn of Ohio, fear that little money will be left for cleaning up the sites. The department believes that the clean-up and safety measures will cost some $82bn in 1990 dollars, though this is little better than a guess. Senator Glenn and environmental groups warn that these sums will never be available and the public will be barred in perpetuity from hundreds of square miles of American territory. "I don't see the public accepting national sacrifice zones like this," says Mr Leonard Weiss, an assistant to Senator Glenn.

Arms control offers obvious, and cheap, relief. Soviet tritium supplies are also decaying at 5.5 per cent a year and one Washington environmental group has seized on the decay rate as a heaven-sent basis for step-by-step US-Soviet disarmament. But few people in Washington are as optimistic. Mr Wade says: "There could be a Strategic Arms Reduction Treaty, and a son of Start and a grandson of Start. It is not entirely impossible that the complex could be downsized further in the future. But we cannot plan on that basis."

OBSERVER

Not such a cosy club

■ If evidence were needed that, contrary to current belief, the Minister of Agriculture, does not enjoy an entirely cosy relationship with the farmers, yesterday's meeting of the National Farmers' Union provided it. Or so John MacGregor, the Minister, and Simon Gourlay, the NFU President, among others, would say.

MacGregor has been under much more pressure in the last three months that he can have imagined possible when he took his job 19 months ago, possibly as a stepping-stone to the Chancellorship. Apart from anything else, he collapsed in Brussels under the strain, the sort of thing that a Prime Minister can remember.

Yesterday he faced a hostile resolution criticising the lack of a proper development policy for farming. He was good-humoured, reasonable and methodical in his defence of the reforms of the common agricultural policy, which have included hefty cuts in farm gate prices. But he failed to convince his audience who, Gourlay told him, have seen a 9 per cent real annual fall in their incomes in each of the last five years. The NFU claims that farm incomes are now at their lowest level since the Second World War.

"If MAFF is supposedly in our pockets, how come our pockets are so empty?" said one delegate from the floor. Gourlay punched harder. "Under your velvet glove," he told MacGregor, "there lurk some rusty knuckle-dusters."

There may be one area, however, where the NFU could offer some lessons to Westminster. Its President has to be elected each year, and while in the first year he needs only a simple majority, this rises progressively to 80 per cent of the 100 or so voting members of the NFU Council.

Simon Gourlay, with his defence of farmers' interests yesterday, seems likely to get that and go into his fourth year today. In fact, only one former President was actually voted out of office in the early 1970s under this system. Lord Netherthorpe holds the record of 15 years' tenure.

Irish ballet

■ The world première last weekend of Oscar, an Irish National Ballet production based on the life and times of Oscar Wilde, went without a hitch. The audience at the Cork Opera House gave the cast a standing ovation. The critics loved it. But then bad luck intervened.

First, Domy Reiter-Soffer, the ballet's Israeli choreographer, had to go to hospital with an eye injury. Reiter-Soffer says that he fell against a door-knob in his dressing room. The ballet's leading dancer, Patricia Douglas-Davies, announced that she had flu and would not be available to perform her role as Speranza, Wilde's mother, in Cork or in other scheduled performances in Dublin or Belfast.

Then early on Monday Oscar's luck struck again. A member of the Radio Telefis Eireann orchestra accompanying the ballet left his viola in its case in the lobby of a local hotel. Suspicions were aroused. The police, then the Army bomb disposal squad were called in. The case and the viola were blown up. Looks like carelessness.

English drums

■ Anglo-French relations have already been upset by cheese. Now there could be trouble over British participation in the celebrations for the bicentenary of the French Revolution.

A British military band,

"My name is Bond, James Bond, but don't quote me."

along with drummers and musicians from other countries, is due to take part in the July 14 parade this year, but the Ministry of Defence is stamping on suggestions that – to symbolise their Britishness – they should march along in a cloud of artificial rain produced by fire engines.

"Rain is definitely out. It is not at all the image we want to present," said one senior British officer. To sweeten the proposal, Jean-Paul Goude, the French advertising designer and photographer in charge of the parade, had thought of having a pageboy from Maxim's restaurant march behind each bandsman with an umbrella. Not quite the image that the British bandsman would want to project either, one would have thought. He is thinking of replacing the rain with fog.

The British may have drawn the easy option, however. Goude is asking the Russians to march the length of the Champs-Elysées – nearly 2km – with an ice rink and a pirouetting skater on their heads.

Ethics galore

■ President Bush's campaign for higher ethics in government has created much ill-will among his top officials. Some think they have been unfairly targeted on account of their wealth; and the latest aggrieved party is James Baker, Secretary of State, now on his first diplomatic tour in Europe.

It was disclosed last week that Baker continues to hold substantial stock in Chemical Banking Corp, a New York bank which has $4.5bn loans to Third World countries. The ethical question is whether Baker – a major voice on international debt strategy – faces a conflict of interest.

As the former Treasury Secretary and the man with the cleanest reputation in Washington, Baker is pressing to retain his earlier arrangement in the Reagan administration: either withdrawing from any matters in which he has a financial interest, or seeking a waiver. He can also point to a sentimental attachment: the holding stems from a Texas bank organised by his grandfather a century ago in Houston.

Bush's chief ethics adviser, Boyden Gray, thinks otherwise, and wants Baker to dispose of his current holding, which is said to be valued at several million dollars. The New York Times, in an editorial yesterday, agreed.

Yet Gray was recently embarrassed by reports of his own active role in his family company when he served as counsel to thethen Vice President Bush and drew more than $400,000 in fees. Somebody seems to be doing a certain amount of leaking about who holds what.

Pure mercury

■ Sign over a display of thermometers in a Lambeth street market: "Guaranteed no Cornish butter in the mercury."

Giving lawyers a competitive edge

Raymond Hughes looks at international reactions to Lord Mackay's proposals on UK legal reform

"I THINK the proposals provide a long-needed rejuvenation of the English legal profession and would boost the importance of the UK as a major international legal centre."

Mr Andrew Vollmer, a partner in the London office of the Washington law firm of Wilmer Cutler & Pickering, is reacting to the radical reforms proposed by Lord Mackay, the Lord Chancellor, in his green paper on the legal profession. "We in the States," says Mr Vollmer, "remain shackled with a number of out-dated restrictions and a legal system that is subject to major abuses. Here the Government is making it absolutely clear it's prepared to sweep these problems away."

As is now well known, Lord Mackay's proposals have had a mixed reception from English lawyers. The Bar has angrily declared that the Lord Chancellor has, in effect, signed its death warrant; the Law Society, whose members are likely to fare somewhat better from the proposals, has broadly welcomed the news proposals.

International lawyers based in London, who have a knowledge of the legal profession in their own countries and in England, are able to view the proposals more objectively.

Mr Vollmer sees the adoption of the proposals as putting US lawyers and US law firms at a serious competitive disadvantage. "Lawyers in England will be able to provide a broader range of services, at recognised and ensured levels of quality, for lower costs."

This would be the result of the new freedom to establish multi-disciplinary partnerships or combinations of barristers and solicitors; of the closer scrutiny of advocates' qualifications; and of lower costs brought about by market forces. The proposal to permit English lawyers to enter into multi-national alliances is also important if the UK is to retain its position in the international legal market. Mr Vollmer says this is significant since US clients are demanding a range of services from lawyers in several jurisdictions.

The reactions of English lawyers — have been shortsighted, suggests Mr Vollmer. "I think they have failed to appreciate that the reforms will provide them with substantial benefits and competitive advantages in the long run."

He regards the Bar's fear that it would wither away if the proposals were implemented as unjustified. As in the US, there would remain a need for independent specialist advocates who, even if linked with a particular law firm, could still be available to the clients of other firms.

Mr Richard Cole, a London partner in Mayer Brown & Platt, a US law firm based in Chicago, sees the green paper as pro-competition. "I think the clients are going to benefit, and if the clients benefit so in the long run do the lawyers," he says. He is particularly enthusiastic about the proposal for multi-national practices,

'The legal system should be completely independent of government'

which will benefit both English and foreign lawyers. The ability to employ US, French, Italian or other lawyers would make the large City firms more competitive, putting them in a good position to get an increasing share of international commercial business.

US law firms would also benefit, thinks Mr Cole, because they would be able to employ English solicitors or barristers. The distinction between the two would not be significant for US firms, for which the key question would be the lawyers' experience and competence.

The big split would be between the large City and US law firms — who have common interests, "what's good for Linklaters is good for us" — and the smaller English firms.

Mr Leo Herzel, co-chairman of Mayer Brown & Platt, believes barristers are being unduly pessimistic about their future. It is true, he says, that in the US many trial lawyers are "gulped down" by the big law firms — but there are also independent firms of trial lawyers. In practical terms these are hardly distinguishable from barristers' chambers; they specialise in such areas as personal injury and corporate law. He sees no reason why barristers should not profitably follow the same road.

Ms Sally March works in the London office of the Washington law firm of Cole, Corette & Abrutyn. She is surprised at the reaction of the Bar (which she thinks has "an undeserved mystique") to Lord Mackay's proposals. She can see the advantages of specialist advocacy skills but not the need for them to be confined to a separate branch of the profession.

Ms March was shocked by the sharp criticism of the green paper from Lord Hailsham, one of Lord Mackay's recent predecessors as Lord Chancellor. "I thought it was insulting to the legal profession to suggest that maintaining a divided profession is the only way to maintain ethical standards."

She believes Lord Mackay is right to be cautious about contingency fees. The US system — which allows lawyers to take a percentage of their victorious clients' damages — needs some review, she says, although the advantage of contingency fees is that they give access to the courts to people who would not otherwise be able to afford to litigate.

Mr Michael Carl, a member of the Dusseldorf Bar and a partner in London solicitors Frere Cholmeley, has experience of both the German and English legal professions.

His view is that it is impossible to separate reform of the English profession from reform of the civil court procedures.

He sees the *de facto* fusion of the two branches of the profession as leading towards a change to written, as opposed to oral, presentation of cases. The former could be done as well by solicitors as by barristers; the latter needs expert advocates and "I'm not sure it will be possible to produce a sufficient number to supply each firm with somebody comparable to an experienced member of the Bar."

He is concerned at the absence from the green paper of any reference to the harmonisation of legal professions throughout the European Community in preparation for 1992's single European market. The issue, he says, is already being addressed in Brussels as well as in Germany and other Community states.

Someone with a particular interest in Lord Mackay's proposals is Professor J. Ross Harper. He is president of the Law Society of Scotland, which is awaiting a green paper from Lord Mackay on the profession in Scotland.

Like Lord Mackay, Mr Harper is a Scot. He says lawyers north of the border are much more relaxed about rights of audience. Solicitors are already able to present around 90 percent of all cases. "We find that justice is quite as well served and I can't believe that English solicitors are in any way inferior to Scottish." He is, however, apprehensive about the apparent suggestion in the green paper of a degree of Government control of lawyers and their codes of conduct. "Government interference would make us very unhappy. The essence of the legal system is that it should be completely independent of government."

Not all non-English lawyers take a positive view of the green paper. Professor Francis Mann, a German lawyer who has long practised in England, first as a partner, now as a consultant, at Herbert Smith & Co, regards Lord Mackay's proposals as the greatest possible misfortune for the English legal system.

"The Bar is something extremely valuable — unique. It has upheld not only the professional but also the legal standards of this country over the centuries. As soon as you get something else," he says, "you get these terrible American or Continental systems."

Trevor Humphries

Long-standing traditions at London's Inns of Court

The impact of information technology

Why academics are under threat

By Douglas Hague

Visit any group of academics these days and their minds, if not on their own subjects, will be on the challenges coming from politicians. The list is long: more students per teacher; less money for research; loans for students; and so on.

Government policy is important for academics, but the real threat is different. It comes from developments in information and communication technology and from the need for a satisfactory balance between competition and collaboration with businesses in the emerging information and communications industry. It will pose problems for a relatively sheltered profession.

What do universities offer the rest of us? They provide three things: information, interaction and innovation. The information revolution itself has two characteristics: it is partly integrative and partly distributive.

In formulating strategies for the information age, academics have to consider the relations between these five elements.

The *informative* role of the university is its most obvious. Academics inform us by lectures, articles, books and so on. Using information technology to make this process more effective provides few problems in principle, but enormous ones in practice.

Few of us have yet grasped the awesome *integrative* power of systems which will link computers, television, video- and audio-tapes and large databases. They will give us access to the world's best teachers and thinkers, to unimaginable amounts of data and, through the computer, to ways of processing it.

Too many university lectures are still ill-prepared and ill-delivered. Of course there are superb lecturers who deserve crowded audiences. But first-rate television (or video) programmes featuring world authorities will become increasingly available and increasingly cheap. To survive in the 21st century the universities must replace all but the best lectured by recorded material, with teachers concentrating on tutorials. But that is only a beginning. Computers will both integrate the whole system and help the student to chart his way through it.

That leads us to the *interactive* role of academics. Either because they are purists or because they are threatened, many academics insist that university education is safe. It is more than disembodied learning, they say, because an important element of university life is contact with tutors and fellow students.

Perhaps. However much they deplore it, academics will not determine how information technology is used by students. As in other fields, the customer will be king. More of us will choose education at home, at work, or with groups of friends or colleagues. Academics will pour scorn on what they see as our amateurism, but they cannot prevent it. There will also increasingly be learning by interaction with computers, though that also is impersonal.

But suppose we give the academics this point. It is manifestly not impossible to provide direct interaction with other students. The Open University already does so in tutorials and summer schools.

Similarly, the Cranfield Management School now provides its external students with personal computers and with free telephone time to enable them to communicate with each other. Before long, such activities will be supplemented by audio- and video-conferencing. Tele-tutorials will become possible and popular.

The other role of universities is in *innovation*, especially through research, much of which is innovative, though much is not. Here is an even more fundamental challenge for academics. In the past, a major source of the universities' strength was that few outside academia could offer what they did — trained minds, libraries, good teaching, research and so on. They had a near-monopoly of certain kinds of information. Over the years, as brainpower has built up in business, that monopoly has been eroded. In the information age, it will largely disappear. Relative to the outside world, the academic communities of brains are no longer what they were.

Businesses will not only be selling information of various kinds commercially. More crucially, they will employ people at least as well-trained and able as their counterparts in universities.

Some universities are asking why they are being bypassed — for example, by successful industrial research laboratories. The answer is that they were bound to be overtaken as they sent out more well-educated people into society but, here too, the academics can use information technology to defend themselves.

Why are science parks developing so successfully near universities? Partly, businesses want to be outside universities with their leisurely ways; partly they want to be close to the first-class brains in them. Partly, they want to be in their own community of brains, where ideas can be discussed and developed with like-minded people.

The *distributive* power of information and communication technology offers a way ahead. Distributed processing must be paralleled by distributed brainpower. Scientists and technologists in universities must make themselves rapidly available to companies in science parks. One way will be to use video-conferencing and, as time goes on, this will enable academics to communicate rapidly and effectively with businesses which are not close to them.

One problem of the university is that there is often a mismatch between what the community of scholars offers and what the communities of brains outside them need. Distributed brainpower must reduce that mismatch. Within a generation, unless universities change dramatically, competition from the information industry will give them a purely marginal role in both education and society.

Sir Douglas Hague is Chairman of Metapraxis and an Associate Fellow of Templeton College, Oxford

LETTERS

Instability needed

From Mr Alec Gordon.

Sir, The "great deal of effort" which Professor Gilbert (Letters, 8 February) claims to have put into arguing the merits of "symmetric long dated out-of-the-money put and call contracts" (that is, hedging) as a means of stabilising commodity prices seems misplaced. The effectiveness of commodity pacts to stabilise prices is admittedly debatable, but futures markets do not and cannot control prices.

Hedging can give control over knowledge of what a commodity may cost to buy or sell at some point in the future. What it cannot do is control the price. Knowing that he can sell his crop at a certain price six months hence is no use to a producer if that price is half of what he gets today and if he has no alternative to selling when the time comes. While futures markets may not destabilise prices, they do need price instability in order to operate.

Alec Gordon,
The Economist Intelligence Unit,
40 Duke Street, W1

If music be the food . . .

From Mr J.T.D. Haley.

Sir, It would seem that, in a strange way, Edwina Currie might have done me at least a couple of good turns.

My wife dislikes eggs and Mozart. I like both. My grandfather advised me some 50 years ago that the only way to cook a decent soft-boiled egg was to the overture to *The Marriage of Figaro*, which lasts about four minutes six seconds. As we are now told by Edwina Currie to eat our eggs with a hard-cooked centre, I have now changed the overture to that of *The Magic Flute*, which lasts for a little over seven minutes.

This seems to have somewhat delighted my wife, because she was getting fed up with *The Marriage*. She has, however, intimated to me that if she has to endure 50 years of the *Magic Flute* she will divorce me and go off with *Don Giovanni*.

J.T.D. Haley,
Woodbine Cottage,
The Promenade,
Avonside,
Cumbria.

Privatising electricity still looks like a 'leap in the dark'

From Mr Rhodri Morgan MP.

Sir, In your excellent survey of the electricity industry (January 23) you refer to Americans observing the British Government's plans to split up the electricity system of England and Wales, anxiously asking: "If it works, why change it?" (No doubt, if they come from the Appalachian mountains in America they might use the more colourful phrase: "If it ain't broke, don't fix it.")

Among the alarming revelations of the last few weeks is just how little time now remains for the area distribution boards to begin, let alone complete, serious negotiations with the Central Electricity Generating Board's successor companies, National Power and PowerGen, for the new-style contracts which are to replace the bulk supply tariff.

At present the negotiations cannot even begin, because the basic shape of the contracts has not yet been agreed. About half of the 12 area board chairmen take the view that the 12 area boards should stick together and amalgamate their estimated needs into one giant contract with National Power, and another giant contract with PowerGen.

The other area boards take the opposite view. They see an advantage in each area board this year attempting to assign a specific "slice" of Drax, Grain, Pembroke and all the other power stations.

For instance, the Yorkshire Electricity Board would contract for 2,400Mw at Drax, 1,000Mw at Ferrybridge, plus a bit of oil as insurance, and cover itself that way. The South Wales Electricity Board would take 1,000Mw at Aberthaw "B", 500Mw at Pembroke, and so on.

What is so frightening for consumers is that the Government has heavily committed itself to achieving something in electricity which can be sold at Conservative party conference as resembling the London Stock Exchange, with the use of ministerial buzz words such as bid pricing, phased contracts, take or pay, market making and electricity brokerage; but it must try to push the boards into bidding for individual power stations.

However, the industry is only too well aware that a substantial move away from the current collective principle of the bulk supply tariff (for all its faults) cannot be achieved by October 1 this year.

Even more crazy is the Government's objective of moving to half-hourly bids for generating capacity, whether power station by power station or — in the ultimate ambition of energy ministers — generator set by generator set.

If these questions are not sorted out by Easter, then the present privatisation legislation for the electricity industry may well turn out for the UK electricity consumer — industrial and domestic — to be a "leap in the dark" in more senses than one.

Rhodri Morgan,
Fourth Floor, Transport House,
1 Cathedral Road,
Cardiff,
Wales

Tax cuts could be made

From Mr D.R. Myddelton.

Sir, Samuel Brittan (February 2) touched on the UK tax burden as a proportion of national income, but left out the actual numbers. The 1979 figures from the 1988 Blue Book are: total taxes £67.4bn, national income at factor cost £150.8bn.

In 1979 total taxes took 45 per cent of national income; in 1988 about 50 per cent. The Conservative Party election manifesto in 1979 said: "The state takes too much of the nation's income; its share must be steadily reduced." Yet there has been an increase under Mrs Thatcher of about five percentage points.

Merely to return to the 1979 level of overall tax burden would now require tax cuts totalling 5 per cent of 1989 national income of some £360bn. This amounts to £18bn — roughly equivalent to the Government's expected budget surplus this year.

Tax cuts of £18bn in the coming Budget could permit all of the following: cutting basic rate income tax from 25p to 20p; cutting corporation tax from 35 per cent to 30 per cent; and abolishing the 40p graduated rate of income tax, inheritance tax, and stamp duties.

Would it not be splendid if the 11th Conservative Budget since 1979 could manage this? Then, perhaps, subsequent Budgets could begin the overdue task of actually reducing the overall British tax burden.

D.R. Myddelton,
112 Randolph Avenue, W9

Doubt cast on debt swaps for developing countries

From Miss Jessica Woodroffe and Mr Seamus Cleary.

Sir, We should not be blinded by the apparent "natural appeal" of debt swaps, as outlined by Peter Montagnon (February 2).

Christian Aid and the Catholic Fund for Overseas Development have discussed the issue of debt for development swaps with our partner organisations in a number of countries, including Brazil, the Dominican Republic, Peru, the Philippines and Sri Lanka.

In every case our partners have asked us not to support these swaps.

Two fundamental arguments have emerged. First, debt for development swaps accept the validity of all third world debt; our partners continue to question the legitimacy of much third world debt.

Second, in some circumstances debt for development swaps can undermine the national sovereignty of the recipient country.

Whether or not we are in agreement with the aims of debt for development swaps, they remain a way of imposing our view on other nations. They are a new and dangerous form of conditionality.

Jessica Woodroffe,
Christian Aid,
Seamus Cleary,
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FINANCIAL TIMES
Wednesday February 15 1989

Rebels close in as last Soviets leave Kabul

By Robin Pauley in London and Christina Lamb in Islamabad

TENS of thousands of Afghan Mujahideen resistance fighters were last night massed around Afghanistan's cities, including Kabul, the capital, as the last day of the Soviet occupation of their country drew to a close after more than nine years.

The last Soviet soldiers in Kabul left the city yesterday in four Ilyushin-76 transports. The aircraft took off without lights, carrying the units which had stayed behind to guard the airport.

At 10am local time today the Soviet officer commanding the forces in Afghanistan was due to walk over the bridge across the River Oxus from the Afghan border town of Hairatan to the Soviet town of Termez, bringing a symbolic end to an invasion that began on December 27 1979.

There were clear signs of the chaos to come as the last Soviets were departing. Afghan army troops under the command of President Najibullah's Soviet-backed regime were yesterday reported to be deserting outlying fortified posts handed over to them by Soviet troops, leaving weapons and equipment to be picked up by resistance fighters.

In Moscow, a Soviet Foreign Ministry spokesman said 30,000 Afghan rebels were massed outside Kabul and another 15,000 had taken up positions outside the city of Jalalabad in the east of the country.

Several rockets were fired on Kabul from resistance positions, killing at least five people. Several residents said letters – purporting to come from rebel commanders – had been delivered secretly to houses in Kabul, warning people to close their shops and stay indoors.

Efforts by the political leaders of the resistance to sort out the future shape of the country's government sank into deeper trouble in the Pakistani city of Rawalpindi, dampening any thoughts of celebration on what should have been a great moment in Afghan history.

The religious consultative council or Shura, which collapsed in chaos after 40 minutes on Friday, reconvened yesterday morning.

A large number of key delegates boycotted the meeting, including Professor Sibghatullah Mojadiddi, chairman of the Pakistan-based alliance of the seven most important Afghan resistance parties.

He said his moderate party would boycott the Shura because no agreement had been reached on adequate representation for the eight resistance groups based in Iran, who are also boycotting the Shura.

Mr Abdul Haq, a Mujahideen commander from the Kabul area, said as he left: "I gave this five days. Anyone can see the disaster coming. There's too much real work to be done inside (Afghanistan)."

Mr Haq believes many of the difficulties have been caused by outside interference. Journalists and diplomats have been shocked by the extent to which Pakistan's military intelligence (ISI) has tried to manipulate proceedings of what many Afghans now deride as a "puppet Shura."

Bonn tightens rein on exporters

David Goodhart on moves to reduce sales to Third World countries

SOME OF the best brains in West Germany have for the past six weeks been working overtime trying to amend a set of export control laws which have failed to prevent an embarrassing association between W Germany and the chemical weapons industry.

As today's report on the Libyan affair to the Cabinet will make clear, the Bonn Government (and presumably the vast majority of West Germans) is in no doubt that the deliveries of equipment and know-how which help Third World regimes to produce nuclear, chemical or biological weapons are contrary to the spirit of the law and must be stopped.

Yet, despite the new contriteness, it is quite possible no successful convictions will follow the spate of investigations into the Libya exporters. Many of the companies – from giants such as Siemens to tiny family concerns – clearly had no idea where their products were going or what they might be used for.

But it will also be virtually impossible to prove an intention to provide Libya with a chemical weapons capability. Most of the relevant exports occurred between 1984 and 1987 before even US intelligence had its suspicions.

The re-drafters of the law have a complex task. Their problem is how to bring the letter closer to the spirit of the law without abandoning the rigorous proof-requirements of West German law or the open attitude to exporting.

Most observers, West German and foreign, believe the reforms – which should be placed before the Bundestag in the next few weeks – ought to have both a legal and an institutional thrust.

In the legal domain, exporters must bear more responsibility for the way their products are used and must be open to charges of negligence if they have made insufficient effort to check "dual-use".

Institutionally, better co-ordination between the sometimes warring Federal ministries, and between the export licensing department at Eschborn and the Customs investigation teams, is needed to ensure the laws are properly policed.

THE 12 European Community states yesterday reached a broad political consensus on the need for some Community export curbs on components of chemical weapons.

However, EC foreign ministers in Brussels did not tackle the precise legal format of such controls, David Buchan writes.

But the ministers did agree the need for a "Community cloak" of measures to avoid a repetition of recent West German chemical sales to Libya, although some member nations such as the UK and France are still resistant to EC competence in this field.

The outline of the imminent legal changes is already clear. Most simply, the existing Foreign Trade Law – incorporating the CoCom restrictions on East bloc exports, the qualified restrictions of the War Weapons Control Act on non-Nato arms sales and the Australia Agreement banning exports of some lethal chemicals – will contain an extended list of countries and products for which licences are required.

The existing lists are quite comprehensive. But while most of the now controversial Libyan exports would have left West Germany properly licensed, some did not require licences at all, such as shipments by the chemicals company Degussa.

There are, however, problems in establishing convictions against illegal exporters. In the US it is far simpler to make an example of export criminals, but in West Germany, convictions – followed by heavy fines or prison sentences – are virtually unheard of for breaches of the Foreign Trade Law.

A conviction is now possible only where a company can be shown to have intentionally by-passed the law by not seeking a licence where one was required or by deliberately falsifying the destination or use of the product.

The Foreign Ministry is now lobbying for the effective abolition of the principle of not monitoring end-users, a principle which the Economics Ministry – with its greater sensitivity to the export lobby – may be reluctant to waive.

The closure of another loophole would ensure that West German citizens operating from abroad are covered by the law.

That should prevent a repetition of the Government's current embarrassment over Mr Peter Walaschek, a German citizen, who was charged in the US with allegedly helping to supply biological weapons to Iran.

He jumped bail and returned to West Germany; because he did not break the law on German soil he cannot be arrested or extradited by the West German authorities.

The final legal initiative, which has already been passed, is to raise both the maximum fine to to DM1m ($535,000) and the maximum prison sentence to five years.

But will the lack of a pro-active policing system make such stiffer penalties look like an empty gesture?

Institutional responsibility for the Foreign Trade Law is currently divided between the Economics, Finance and Foreign ministries, the Eschborn licensing office (an arm of the Economics Ministry) and the criminal arm of the Customs service.

According to some officials the institutional problem starts with the fact that companies are themselves responsible for deciding whether they need a licence.

One foreign diplomat estimated that nine out of 10 small companies have no idea about the licence rules, despite information from industry associations, and spot checks at borders are so rare that they may never discover they are exporting illegally.

Eschborn does sometimes reject licence applications, although there is a widespread suspicion that, thanks in part to lack of resources, it tends to just rubber-stamp most of the 80,000 applications a year.

The export department has only about 70 staff and, although that number will be increased, it compares with more than 1,000 involved in export control in the US.

Moreover, the US and British export control departments have been computerised for some years, while Eschborn is only switching from paper for screens.

There is, according to some officials, greater consciousness of licensing requirements for East bloc sales. Despite political differences between West Germany and the US over the number of banned articles, most companies and export authorities are reasonably careful.

It would be most surprising, as another foreign diplomat pointed out, to see the West German authorities emulating the French customs service which – thanks to a spot check – recently stopped an important piece of listed equipment leaving for the Soviet Union without authorised CoCom clearance.

This is partly a matter of mentality. The customs service in West Germany does not on the whole attract aggressive investigators and officials tend to regard themselves as agents of the civil law rather than the criminal branch.

All export control systems have their limits and even the US finds it difficult to control triangular trade through third countries. None the less, some believe the publicity surrounding the recent cases of dubious exports will have raised official consciousness.

US nuclear arms plan greeted with scepticism

By David Marsh and Ian Davidson in Bonn

A FRESH nuclear missiles dispute threatened to surface last night between Bonn and Washington as West German officials reacted with scepticism and downright opposition to American suggestions of bringing in new air-launched weapons in the 1990s.

In an idea supported by Britain, the US is proposing equipping Nato air forces by the mid-1990s with a new tactical air-surface missile (TASM) to increase the effective range of fighter-bombers such as the US F-111 or the West European Tornado.

Such weapons would be stationed with air forces in the Federal Republic and several European countries. By spreading the burden of deployment, the US would aim to counter West German fears of being "singled out" to host new nuclear weapon systems.

However, the US-British TASM plan is being resisted above all by Mr Hans-Dietrich Genscher, the Foreign Minister, as well as other elements in the Bonn coalition. One official last night said the plan for new stand-off weapons "was not for discussion."

Another senior government official said Bonn was not in a position yet to decide what weapons would be necessary for the 1990s. Just like with the US-British proposals to introduce a new short-range land-based nuclear missile for 1995, the Government wants to keep its options open for any air-launched missile rather than making any weapons decisions now, he said.

West German fears about having to bear alone the deployment of new weapons have been dramatically highlighted by Bonn's refusal to be pushed into an early decision on modernising the short-range Lance missiles on German soil.

US officials said the two sides "agreed to disagree" over this question during the visit here of Mr James Baker, the US Secretary of State this week.

The US hopes that Nato at its summit in May will be able to formulate a compromise on the need for these new weapons in the 1990s. However, Mr Helmut Kohl, the Chancellor, in a statement universally welcomed by the political parties here, said last week no real decision on producing a Lance successor needed to be taken until 1991/92.

Although both sides say Mr Baker's talks here this week have been constructive, an undertone of West German truculence has also entered discussions.

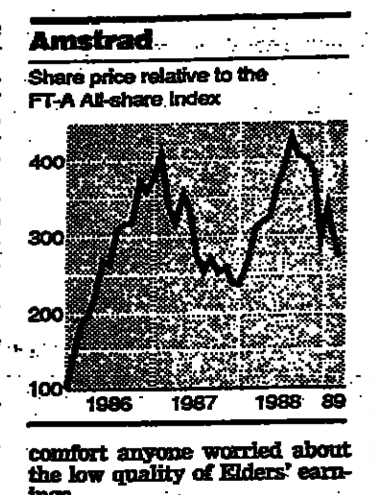
Officials have pointed out that if the US tries to push the Germans too hard over the nuclear issue, discord over nuclear arms in the Federal Republic could make it very difficult for the Kohl-Genscher centre-right coalition to win the general election in December 1990. The result would be a possibly neutralist Left-wing administration, they say.

"Perhaps our allies should wish to consider with what government they would like to negotiate in 1990," said Mr Alfred Dregger, the conservative parliamentary floor leader

THE LEX COLUMN

The middle age of Amstrad

Amstrad's interim figures are depressing from almost every angle. Eighteen months ago, the chairman correctly predicted a year of consolidation, due to the costs of installing wholly owned systems of distribution and manufacture. This year, it was implied, the previous growth rate was to resume: instead, different problems have emerged, and profits are actually falling. Two of the difficulties listed by the company – German distribution, and European manufacture of video recorders – could charitably be ascribed to the grand design. The others – supply of memory chips, design faults in microchips and the supply of audio equipment from Taiwan – seem basic to the whole Amstrad method.



There is no reason to doubt that the market is still crying out for Amstrad products. The question may rather be whether a company developing four new computers, a camcorder and a satellite dish, while simultaneously switching manufacture and distribution, has the management systems to cope. And given that consumer demand is still reportedly strong, it might be asked what would happen if supply problems were sorted out just in time for the Lawson squeeze to take effect.

None of this is grounds for writing Amstrad off. The company has a proven and remarkable record of creating its own markets, and the wider product range should reduce exposure to the fickleness of the consumer. But the consensus for full year profits is now only £136m, and whether last year's figure of £160m will be matched the next year again is anybody's guess. At yesterday's close of 158½p – down 12 per cent – the shares are on a prospective multiple of 10, which is higher than they were the day before. After the collapse in confidence in 1987, the market gave Amstrad another chance: whether it will do so again is an open question.

Elders IXL

Through the system of mirrors that constitutes Elders' financial statements, a glimpse emerges of a company in need of another acquisition if it is to go on growing faster than the rest. Mr Elliott may prefer to look at the 15.5 per cent growth in profits after a tax charge cut by half, but the 18 per cent fall in pre-tax profits seems just as telling. To blame it on high interest rates and currencies is all very well, but that may not comfort anyone worried about the low quality of Elders' earnings.

Meanwhile, yesterday's offer to buy MB Packaging, though optimistic, appears more than just another device to delay the MB/Carnaud deal until the MMC decides whether Elders can go for its first choice, Scottish & Newcastle. But as MB can – and has – simply refused the offer, it is difficult to see quite what game Elders is playing.

De La Rue

De La Rue deserves little enough sympathy for its complaints about the Chancellor's interest rate policy, and certainly not enough to merit a prospective rating of something like 20 times earnings. Yesterday's market was prepared to see the shares bludgeoned by news of a fairly serious accident concerning profits; but with 20 per cent in potentially predatory hands, it clearly felt it could not condone a free fall.

Whether there is anyone around who wishes to realise De La Rue's potential as a bid stock is a moot point, however. Mr Maxwell must be more seller than buyer at the moment – though he is scarcely likely to want to sell at 392p what he bought at 420p. And the kind of problems revealed by De La Rue yesterday must give any predator pause.

Reuters

The risk of speaking out in public about internal growth targets – as Reuters has done consistently in the past – is that silence will be interpreted as very bad news indeed. But if nobody is predicting that Reuters will return to its old 25 per cent target in the short term, the 20 per cent pre-tax profits growth it managed last year was not bad going under the circumstances.

Whether such lukewarm praise is enough to sustain a prospective rating which is about half as much again as the market average is another matter. That may be a relatively low premium by the standards of the company's past, but it is high enough by any other measure. This year's profits should benefit from last year's brutality on costs, and luck would have it that more major new products are coming on stream than ever. But that may still leave 25 per cent growth a fairly distant ideal – unless the markets really do manage an extended attack of high spirits.

Even if they do not, Reuters has learned enough about living within its means to contain the damage. But that, and even a few more points on margins, is probably already in the price. And until one knows for sure whether Mr Murdoch's desire to realise his investment is shared by fellow shareholders, it is difficult to make a case for much more.

Nixdorf

Nixdorf's decline tells three cautionary tales: about what can happen to giddy glamour stocks, to second division computer houses and to companies which lose a dynamic founder. The stories are common enough in London, where generally disappointment follows disappointment until a bidder arrives. But in Germany, less experienced investors remain sanguine about takeover-proof Nixdorf, even after a 60 per cent cut in the preference dividend. Yesterday's tiny shavings of information show the company was reprehensibly optimistic in saying last year that growth in costs could be kept in line with the lower growth of sales. The payroll actually increased more than three times as fast as turnover, and the company appears to have gone on hiring people long after it knew it was in trouble, suggesting costs are still out of control.

But even if there is worse to come – an operating loss this year looks unavoidable, and it is difficult to see much improvement in the near future – shareholders are partly protected by the strong balance sheet. The DM2bn raised over the last three years for aggressive expansion can now be put to defensive use, while selling valuable properties should continue to finance a reduced dividend for some time to come.

'No faults' in jet engine

Continued from Page 1

the event, no faults have been found in the 99 per cent of those aircraft which have reported back so far.

At the same time, a detailed investigation of both the CFM-56-3C1 engines from the crashed aircraft has been conducted under the scrutiny of the UK's Air Accidents Investigation Branch by Snecma of France, which builds the engines in conjunction with General Electric of the US.

That probe, which covered fire-detection and warning systems, as well as engine instrumentation and vibration monitoring systems, has found nothing wrong with the right-hand engine.

But the investigators have found evidence of fan-blade aerofoil fractures in the port engine, which it is believed might have caused the fire in that engine.

As a result of these findings, the CAA has decided there is no longer any need for operators to continue with the checks originally ordered.

More arrests possible as share scandal in Japan deepens

By Ian Rodger in Tokyo

FURTHER arrests in connection with the deepening Recruit political funding scandal were possible, Mr Masami Takatsuji, Japan's Justice Minister, said yesterday.

However, there was no prospect "for the moment" of politicians being arrested, he said. Permission would have to be obtained from the Cabinet if the prosecutors wanted to arrest any politicians.

On Monday, two former managing directors of Nippon Telegraph and Telephone (NTT), Japan's largest company, were arrested and held in jail on charges of accepting bribes from the Recruit group. At the same time, Mr Hiromasa Ezoe, the founder and former chairman of Recruit, and another former Recruit director were arrested and held on charges of offering the bribes.

The prosecutors decided the offer of shares in Recruit Cosmos, a Recruit subsidiary, to the NTT directors before its flotation on the stock market in the autumn of 1986 constituted bribery because the shares were certain to rise substantially in value. Several leading politicians and their aides also took advantage of offers from Recruit to buy Recruit Cosmos shares in advance of the flotation.

Yesterday, 30 investigators from the Tokyo district prosecutor's office searched NTT's head office, apparently in an attempt to further their understanding of why the company had developed close relations with Recruit.

In 1986, NTT provided exceptional assistance to Recruit, which was then trying to enter the data communications business. NTT also bought a US-made supercomputer for Recruit.

The investigators may also be trying to clarify the role in these events of Mr Hisashi Shinto, who resigned as NTT chairman in December after it was revealed that the profits from the sale of some Recruit Cosmos shares had been deposited in his personal bank account.

Meanwhile, the Securities Dealers Association of Japan, which supervises the over-the-counter market, imposed a one-year moratorium on the promotion of new or existing Recruit Cosmos securities. Recruit Cosmos shares tumbled Y100 (78 cents) yesterday on the OTC market to a low for the year of Y2,400 ($18.75), and Nippon Investors Service said it would withdraw ratings for three of the company's convertible bond issues because of the difficulty of making reliable earnings estimates. NTT shares dropped Y10,000 to Y1.7m.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	-	—	—	Dubrovnik	S	11	52	Malta	S	15	59	Rhodes	F	14	57
Algiers	F	15	59	Edinburgh	C	07	45	Manchester	F	07	45	Rio de J'o	C	35	95
Amsterdam	F	07	45	Faro	S	19	66	Manila	C	30	88	Rome	F	15	59
Athens	R	12	54	Florence	C	05	41	Melbourne	C	26	79	Salzburg	R	03	37
Bahrain	F	17	63	Frankfurt	R	08	46	Mexico City	F	25	77	San Francisco	F	05	41
Bangkok	F	32	90	Funchal	F	17	63	Miami	C	24	76	Seoul	F	11	52
Barcelona	S	14	57	Geneva	C	10	50	Milan	S	10	50	Singapore	F	32	90
Beirut	C	11	52	Gibraltar	F	16	61	Montreal	C	-1	30	Stockholm	R	03	37
Belfast	C	04	39	Glasgow	C	07	45	Moscow	F	02	36	Strasbourg	-	—	—
Belgrade	C	04	39	Guernsey	F	09	48	Munich	C	03	37	Sydney	D	22	72
Berlin	C	05	41	Helsinki	F	02	36	Nairobi	F	25	77	Taipei	F	23	73
Biarritz	-	—	—	H. Kong	F	18	64	Naples	F	12	54	Tangier	S	18	64
Bombay	S	29	84	Innsbruck	Sn	01	34	Nassau	F	26	80	Tel Aviv	C	15	59
Bordeaux	-	—	—	Inverness	F	08	46	New Delhi	F	21	70	Tenerife	C	20	68
Brussels	C	08	46	Islamabad	F	18	64	New York	C	05	42	Tokyo	S	11	52
Budapest	C	03	34	Istanbul	F	08	46	Nice	-	—	—	Toronto	Sn	02	36
B. Aires	C	28	82	Jakarta	R	29	84	Nicosia	C	12	54	Tunis	C	15	59
Cairo	C	16	61	Jersey	F	10	50	Oporto	S	17	63	Valencia	S	20	68
Cape Town	-	—	—	Jo'burg	C	24	75	Oslo	C	05	41	Venice	S	09	48
Caracas	C	27	81	Lima	F	28	82	Paris	-	—	—	Vienna	Sn	01	34
Casablanca	S	17	63	Lisbon	F	17	63	Peking	S	05	41	Warsaw	S	05	41
Chicago	F	-6	21	London	F	10	50	Prague	C	05	39	Washington	R	03	37
Cologne	R	07	45	Los Angeles	F	11	53	Reykjavik	C	-6	21	Zurich	C	03	37
Copenhagen	R	07	45	Luxembourg	F	04	39								
Corfu	R	11	52	Madrid	F	15	59								
Dallas	C	06	43	Majorca	C	15	59								
Dublin	C	08	46	Malaga	S	16	61								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Death sentence falls on Satanic Verses

Continued from Page 1

The British Embassy in Tehran is seeking an urgent clarification from the Iranian authorities.

A Moslem insistence on the sanctity of Islam has collided unpleasantly with the ideal of free expression cherished in the West. Anti-Rushdie demonstrators have criticised a dream sequence in *The Satanic Verses* in which prostitutes take on the names of the Prophet's wives, but Mr Rushdie says his critics have missed the point. The prostitutes are executed.

A day of national mourning over the publication of the book has been declared for today in Iran. Mr Mir Hussein Mousavi, the Prime Minister, urged underground pro-Iranian groups – including the Lebanon-based Hizbollah – to "neutralise this plot", according to the Iranian news agency.

In another development yesterday Mr Mohammad Mohammadi Reyshahri, the Information Minister, said that Mr Roger Cooper, a British citizen held without trial in Iran since 1985, had received a "heavy sentence" after he confessed to spying for Britain.

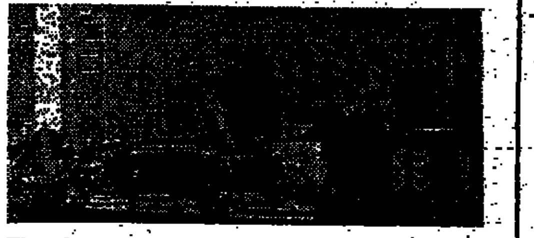
He gave no details, except to say enigmatically that a final judgment was still being considered.

Britain and Iran resumed diplomatic ties last year, but the case of Mr Cooper and the Rushdie affair are likely to obstruct a further upgrading of relations.

Iran's leadership has been in turmoil since the ceasefire with Iraq took effect in August last year, with different factions vying for Ayatollah Khomeini's approval.

INSIDE

Sun comes up over Frankfurt



The signs are all there for a West German investment banking revival. Clearest of these has been the recent decision by Nomura, Japan's largest securities house, to take a 5 per cent stake in the Matuschka Group, a fast-growing German financial partnership. But it is just the latest indication that the sector is on the upswing after a lengthy spell in the doldrums. Page 31

Aluminium power play

Cheap power is a strong attraction for aluminium producers these days and the shift towards areas where this is readily available is driven home in a report published yesterday by Shearson Lehman Hutton's London metals team. This shows that Norway, rich in hydro-electric power, last year overtook West Germany to become western Europe's top aluminium producer. Page 36

A teetotaller's drinks fortune

Britain's most acquisitive publican is hardly the beery bon viveur of popular myth. For Mr Nazmu Virani (left) is a softly spoken Ismaili Moslem who never touches a drop of alcohol. In this he sees no inconsistency, explaining: "There is nothing in my religion which says you cannot make money. My money is sincere money made by working 26 hours a day, eight days a week." Such hard work, reports Vanessa Houlder, has turned this refugee from Amin's Uganda 17 years ago into the head of Control Securities, currently capitalised at over £200m. Page 34

Chipping away at the blue chips

Frankfurt's second line stocks are taking much of the limelight usually reserved for leading blue chip shares. Top stocks have underperformed this year, so international investors are turning their attention to less popular issues, writes Hilary de Boerr. Page 48

Sharp decline at Goodyear

Goodyear, the world's largest tyre and industrial materials manufacturer, reported sharp declines in both its quarterly and annual profits despite significant growth in sales around the world. The company said its profitability was hurt by increases in raw materials prices and employee benefit costs. Page 28

Market Statistics

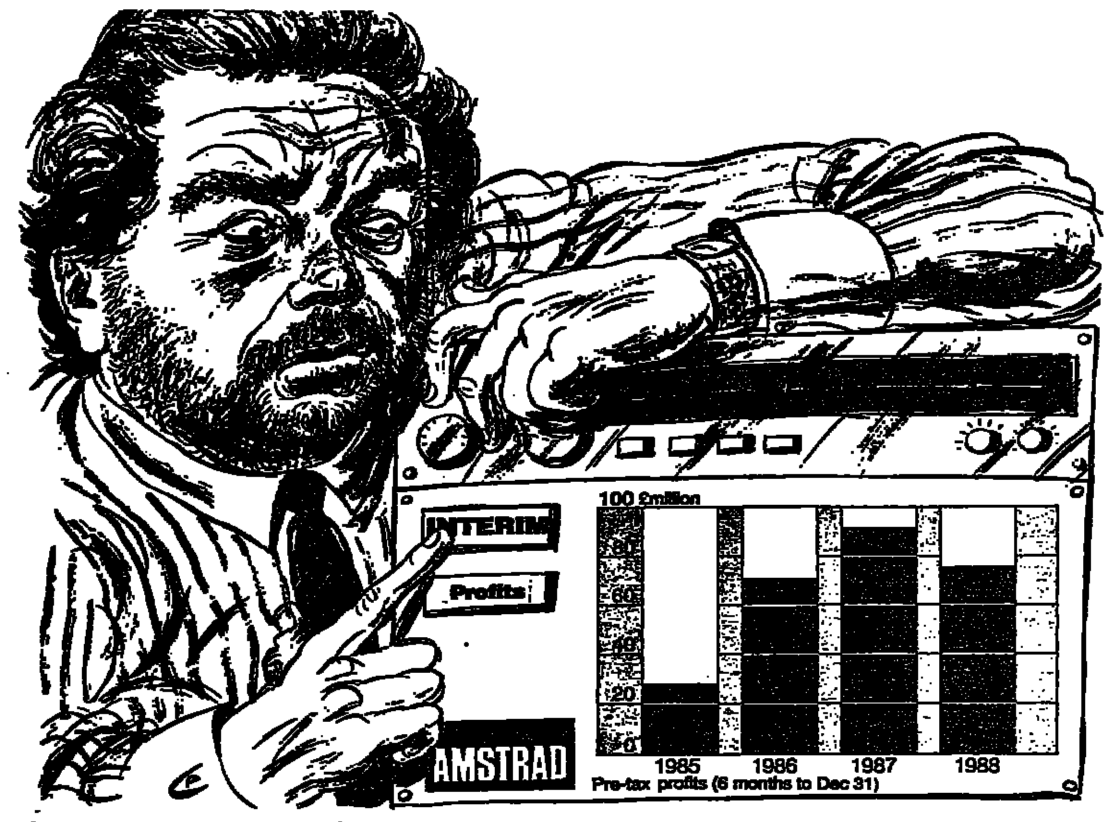
Companies in this section

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Con. Gummi	283.5	+	12
Siemens	534.3	+	22
Varta	281.5	+	13
Falls			
Karstadt	422	–	7
Kaufhof	411	–	7.5
Madrid Comp.	332	–	8
NEW YORK ($)			
Rises			
Coleman	70¼	+	21
Pennwalt	113¾	+	7¾
Syntex	[illegible]	+	[illegible]
Union Carbide	31¼	+	2
Falls			
Chrysler	[illegible]	–	[illegible]
Gen. Motors	90¼	–	3
PARIS (FFr)			
Rises			
Nord-Est	158.8	+	8.5
Raffinage	167.5	+	8.8
Synthelabo	647	+	37.5
Falls			
Arjomari-Pr.	2582	–	103.5
Coles	693	–	35
UIF	540	–	18.5
TOKYO (Yen)			
Rises			
Ensho	1040	+	100
Japan Casting	1070	+	100
Japan Steel	600	+	100
Falls			
Bridge	1470	–	110
Sato Shoji	1120	–	70
Toyo Const	1010	–	60
LONDON (Pence)			
Rises			
Bodycote	535	+	16½
Frost Amusemnt	130	+	15
City Site Est.	335	+	18
Cowie (T.)	138	+	5
Brown Grp.	162	+	4
Gen. Accident	993	+	15
Goldberg (A.)	237	+	10
Heating Assoc.	415	+	10
ICI	1116	+	8
Kwik Save	413	+	13
Lucas Inds.	646	+	13
Macklow (A&J)	248	+	8
Plessey	251	+	7½
Rentals B	590	+	7
Standard Chtd	555	+	7
Tyzack	209	+	8
Utd. News	625	+	18
Falls			
Amstrad	158½	–	22½
Avon Rubber	673	–	25
STC	319	–	4

The wizard loses some of his magic

Hugo Dixon pinpoints the weaknesses in Amstrad's operations which led to a sudden profits reversal



FOR most of the 1980s, Mr Alan Sugar has been the wizard of British industry. The chairman and largest shareholder of Amstrad had seemingly discovered a magic potion, which resulted in soaring sales and made the former East-End barrow boy a multi-millionaire.

Mr Sugar's success also appeared to give a lie to the cliché that the British cannot succeed in the highly competitive world of consumer electronics, because they know nothing about marketing. Here was a company that was facing the Japanese in markets where they excel and beating them.

The ingredients of Mr Sugar's potion were simple, but clever. He identified new electronics products which had the capacity to become mass-market items; designed cheaper models than his competitors; farmed out the production to low-cost suppliers in the Far East; and then marketed the final products aggressively in the West.

This approach allowed Amstrad to run a very tight ship. Overheads were kept low – the company has only 1,600 employees – and unit costs were driven down by playing subcontractors off against each other. Because capital was not tied down in manufacturing, Mr Sugar could use his funds to expand his markets rapidly.

The potion, however, seems to have lost its magic. Amstrad yesterday unveiled pre-tax profits of £75m for the six months to the end of 1988, a 16 per cent drop on the comparable period of 1987. Meanwhile, Mr Sugar's forecast that the next six months would be no better sent his company's share price plummenting 22½p to 158½p – wiping around £130m off Amstrad's capitalisation and nearly £57m ($99.8m) off Mr Sugar's personal fortune.

So what went wrong? On a general level, the problem appears to be that, although farming out production and other activities to third parties has given Amstrad great flexibility in good times, it has also meant that the company has less control over its operations when things turn sour.

More specifically, five things went wrong in the half-year.

First, Amstrad was hit by last year's worldwide famine in memory chips – essential components in producing the company's large range of personal computers and word processors.

Last May, Amstrad was having to pay $2.50 for each 256k Dram, a standard type of memory chip. But, over the next six months, the price shot up to about $5 and, in some cases, Mr Sugar says he had to pay "blackmail" prices of $8 in order to keep production running.

Amstrad reacted to the memory famine partly by cutting back production of its established computer products, with the result that sales were held back.

Secondly, Amstrad's new range of high-performance personal computers was delayed. This was because a sophisticated chip that the company had designed specially for the computers did not work.

Amstrad had originally hoped to launch the new computers last February, but the deadline was postponed first to September and then to December. The latest prediction is that the computers will only become fully available by the middle of this year.

The company believes these problems with chips lost it £57m of sales in the half year.

Thirdly, Amstrad's Taiwanese subcontractors failed to deliver sufficient audio products, because of labour shortages. The company estimates that this cost it £22m in sales.

Fourthly, Amstrad's joint venture with Funai of Japan for producing videos in the UK got off to a much slower start than expected. In the past, all Amstrad's videos were made in Japan by Funai, but Mr Sugar decided to move production to the UK in response to an anti-dumping investigation by the European Commission.

Amstrad originally hoped that the new joint venture would be able to produce all the videos needed during the half-year, but this proved over-optimistic. The upshot again was that the company was not able to meet demand, losing £24m in sales, it estimates.

The final problem was in West Germany, where Amstrad has recently set up its own distribution outlet to replace a third party that was doing the job for it. The idea was that, by taking greater control over distribution, it would sell more of its products. In this case, however, the original distributor was left with large amounts of inventory, which it then proceeded to dump on the German market, undercutting Amstrad.

Each of these failures, in its own way, illustrates the weakness in Amstrad's way of doing business. Farming out production and distribution to third parties can work wonders, but it can also leave a company floundering. The company recognises much of this and has made efforts to improve the supply of products.

On the chip front, Amstrad paid £45m last year to buy a 9 per cent stake in Micron, a leading US memory chip manufacturer. The idea was to build up a long-term relationship and so be sure of chip supplies.

Amstrad has also started to move increasing amounts of production to the UK to defuse criticism that it is a front for Far Eastern enterprises that want to dump their products in Europe. Already most of Amstrad's satellite television receivers are being made in the UK. In the future, Mr Sugar plans to make a sophisticated new TV in South Wales and some of his personal computers in Liverpool.

With lessons learned, it seems likely that Amstrad's profits dive will be short-lived. Nevertheless, as Amstrad moves production to higher-cost locations in Europe and becomes more involved in manufacturing, what was special about the company in the mid-1980s may also vanish. Mr Sugar himself may no longer appear the wizard he was.

GM profits hit record $4.9bn

By Anatole Kaletsky in New York

GENERAL MOTORS reported yesterday that it had boosted its 1988 net profit by 36 per cent to $4.9bn, easily surpassing the previous record earnings of $4.5bn in 1984.

General Motors officials see the result as an important symbolic milestone in the company's recovery from its managerial and marketing setbacks in the mid-1980s. However, most of the improvement came from GM's European and other overseas subsidiaries, while the North American operations showed only a small advance in profits.

The comparison with the previous peak earnings was also significant because it fulfilled a promise made on January 4 by Mr Roger Smith, GM's chairman, that the company's profits in 1988 would set a new record. His comment immediately prompted big upward revisions in Wall Street's earnings estimates.

GM's strong share price, which rose nearly 10 per cent in the four weeks after Mr Smith's announcement, acted as an important catalyst for the powerful rally in stock markets around the world last month.

In the event, GM's 1988 earnings comfortably exceeded the 1984 level, though not some of the most bullish analysts' forecasts, and the company's shares fell by $1⅛ to $90⅛ in heavy trading on Wall Street yesterday morning.

The year's net profit of $4.9bn was equivalent to $14.24 for each of the currently-issued GM common shares. After the two-for-one stock split, which was announced last week and is due to take effect on March 31, the earnings per share would come to $7.17. This compares with a split-adjusted $5.03 in 1987. GM's annual sales revenues increased by 8.2 per cent to $110.2bn.

In the fourth quarter, GM earned a record $1.4bn or $2.12 per share (post-split), compared with $836m or $1.18 the year before. Revenues grew by 9.4 per cent to $28.8bn.

The 1987 fourth-quarter profits had been adversely affected by very high spending on sales incentives and what the company called "a transitional period of lower volume," as well as by non-recurring charges, including employee separation costs. Analysts thus viewed the annual comparison this year as more revealing than the quarter-to-quarter earnings growth rate of 80 per cent.

The 1988 annual results repeated the pattern established the year before, revealing GM's overseas operations as the company's star performers. Total net income from overseas operations was $2.7bn, up 42 per cent on the year before. Net income in Europe jumped by 44 per cent to $1.81bn on sales of $16.4bn, excluding inter-company transactions. This was 12 per cent higher than in 1987.

The US operations, by contrast, reported an earnings gain of only 3 per cent to $1.75bn, although profits from Canada rebounded to $396m from an exceptionally low $43m in 1987. The two North American operations combined increased their profits by 23 per cent to $2.15bn.

However, GM's operating results in the US apparently grew faster at the operating level than at the net level. The company said that 1988's total tax expense was up by $1.2bn to $1.49bn, "primarily reflecting improved profitability in North America."

North American revenues, excluding internal transactions, were up 7 per cent to $88.9bn.

De La Rue warns on lower profit for year

By David Waller in London

DE LA RUE, UK bank note printer and manufacturer of sophisticated printing technology, yesterday warned that profits for the year to the end of March 1989 will be "substantially lower" than those reported for the previous year.

Despite warnings at the interim stage in November, the announcement took the stock market by surprise. The shares fell by more than 10 per cent to close down 65p at 392p, capitalising the company at £541m ($940m), and analysts, who had been expecting pre-tax profits up from £62m to £69m for the current year, slashed their forecasts to around £40m. The company has been the subject of bid speculation since November 1987, when Mr Robert Maxwell, the British publisher, took a 15 per cent stake. In January this year, Societe Financiere de Geneve, Mr Carlo de Benedetti's Geneva investment arm, accumulated a 4.9 per cent holding.

In November, De La Rue said that orders in several of its divisions were far from satisfactory and that the world economic outlook was unfavourable for the company. Yesterday, De La Rue said that conditions had deteriorated dramatically since then, and it was unlikely that second-half profits would match the £23.2m made in the first half.

Mr John White, De La Rue's finance director, said that the shortfall would be principally due to problems at two subsidiaries, Printrak – a company that makes automated fingerprint identification systems (AFIS) – and Crosfield Electronics, which makes pre-press equipment for the printing and publishing industries.

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Battle for S&N grows amid volley of insults

By Gordon Cramb in Melbourne

THE BATTLE for Scottish and Newcastle Breweries intensified yesterday with a fierce exchange of insults between the British group and Elders IXL, the Australian brewing-to-pastoral services company trying to take over S&N.

Mr Alick Rankin, S&N chief executive, spelt out several questions about Elders' financial structure in a letter published in the Australian Financial Review, the country's business daily. This prompted Mr John Elliott, Elders' chairman, to dismiss as scurrilous S&N's defence campaign against his £1.6bn ($2.7bn) bid, which is currently being investigated by the UK Monopolies and Mergers Commission.

The clash came as Elders reported a 12.2 per cent rise in net profits to A$305.4m (US$271.5m), for the six months to December, and a rise in the gross dividend from an adjusted 7.9 cents to 9.5 cents a share.

Mr Rankin's letter mirrors arguments he has made to the Monopolies Commission and touch on Elders' debt, accounting methods and the way senior executives control a key minority of its equity. S&N is currently lobbying hard before the Commission for an extension of the time period for investigation of the bid.

Mr Elliott declined to answer individually the issues raised in the letter, saying these covered ground with which Elders had already dealt, most recently in submissions to the UK regulatory authorities.

In his letter Mr Rankin sought to establish what he called "the real level of Elders' debt." Mr Elliott said yesterday that the company's debt to equity ratio stood at 0.63, a level with which he was comfortable.

Analysts point out, however, that significant additional borrowings are carried off Elders' balance-sheet.

Elders' officials say they have given the Monopolies Commission details of such financing arrangements as well as responding to the attention which S&N has attempted to focus on Harlin, a private company controlled by Mr Elliott and a handful of associates.

Harlin owns 18.4 per cent of Elders and has additional options which, if exercised, could give it close to one-third of the company. In turn, a third of Harlin is owned by Mr Basil Sellars' AFP Investment, which operates Gestetner in the UK.

Harlin's own borrowings remain unspecified. But in answer to questions from Mr Rankin, Elders executives said the company existed solely to own the stake in their group – a holding which, in the event that Harlin collapsed, would merely revert to the Australian group BHP. "It has no consequence to the future of the brewing business," said one director.

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Elders puts forward plan to buy MB packaging arm

By Maggie Urry in London

ELDERS INVESTMENTS, the Australian group, yesterday put forward plans to buy the packaging arm of Britain's MB Group for not less than £810m ($1.4bn) in conjunction with a group of US investors. MB scornfully rejected the scheme.

Elders Investments, an offshoot of Elders IXL, the acquisitive Australian group, has a 5.7 per cent stake in MB.

It has been opposing MB's plans to merge its packaging side, Metalbox Packaging, with Carnaud, the French packaging group, and last month indicated that it might be prepared to bid itself for Metalbox Packaging.

Yesterday, at a meeting with MB, it put forward more concrete proposals, which were rejected by the British company as a "back door way of Elders acquiring a major stake in Metalbox Packaging on the cheap."

The proposed deal with Carnaud gives Metalbox Packaging a value of £830m.

Under the Elders scheme, a new company would be formed to buy the business. Elders would be a major investor, as would Ball Corporation, a US group with packaging interests.

The new company would not be on the balance sheet of either investor.

Other shareholders would include Mr Richard Hofmann, who until 1987 was president of Continental Can, the US-based can company.

After setting up a company called Newcan Investments, Mr Hofmann approached MB in 1987 suggesting a leveraged buy-out, a plan that was also rejected.

Mr Brian Smith, MB chairman, said: "We are amazed that, after weeks of destructive action, Elders has come up with such self-interested proposals involving a partnership with a small, narrowly-based North American business which offers no commercial merit.

"The investment of Elders, a brewer, would not be welcomed by the company's other beverage customers," Mr Smith added.

Canmakers have access to their customers' commercial secrets such as new product launches and sales volumes.

Elders said last night it was surprised that MB had rejected the proposal so rapidly and felt it deserved further discussion.

INTERNATIONAL COMPANIES AND FINANCE

Goodyear earnings slide despite growth in sales

By Anatole Kaletsky in New York

GOODYEAR, the world's largest tyre and and industrial materials manufacturer, reported sharp declines in both its quarterly and annual profits despite significant growth in sales around the world.

The company said profitability was hurt by increases in raw materials prices and employee benefit costs which it had been unable to recover, particularly in the competitive US tyre market.

Fourth-quarter net profits were $56.4m or 98 cents a share, less than half the $119m or $2.09 the year before from the same operations. However, the latest figures incldued $26.8bn in after-tax charges connected with employee separation and pension costs. The 1987 quarter included a one-off capital gain of $9.6m, as well as profits of $47.6m or 83 cents from discontinued operations.

Worldwide sales in the latest quaerter were up by 7.7 per cent to $2.8bn.

For all 1988, net income was $350m or $6.11 a share, compared with $514m or $8.49 from continuing operations and $257m or $4.24 from discontinued operations. The 1987 results included a capital gain of $74m after tax. Worldwide annual sales rose by 9.1 per cent to $10.8bn.

The company's performance was much better abroad than in the US where operating income plunged 74 per cent in the quarter and 29 per cent in the year, despite an 8 per cent gain in annual sales. This reflected both employee separation costs and the competitiveness of the tyre market. Foreign income rose 23 per cent for the year on a sales gain of 11 per cent.

In the tyre and related transportation segments, which accounted for 86 per cent of revenues and 76 per cent of operating profits, worldwide sales were up 8.1 per cent for the quarter and 8.5 per cent for the year, but most of the advance was due to price increases. In volume terms, tyre sales increased by 2 per cent, "with foreign demand setting the pace," Goodyear said.

Operating income from tyres was down 35.2 per cent in the quarter and 14.2 per cent for the year because of the company's inability to recover rising costs through price increases.

In the industrial rubber, chemical and plastics segment, worldwide sales were up 13 per cent for the quarter and 16 per cent for the year. Operating profits were up 9 per cent in the quarter and 35 per cent for the year.

Reverse for Canadian Pacific

By David Owen in Toronto

CANADIAN PACIFIC, the Montreal-based conglomerate which has been spinning off non-core businesses, yesterday reported a 24 per cent decline in net fourth-quarter earnings. The group blamed the setback on reduced profits at its Pan-Canadian Petroleum and CP Rail units.

Income for the period totalled C$151m (US$127.3m) or 47 cents a share, against C$199m or 66 cents a year earlier. Including extraordinary items, however, earnings increased to C$206m or 65 cents a share, in the quarter just ended, compared with C$34m or 11 cents in 1987.

For the full year, net income before extraordinary items amounted to C$774m or C$2.50 a share, against C$637m or C$2.12, a year ago. Taking extraordinary items into account, the group's earnings performance was virtually static, with profits totalling C$820m or C$2.65 a share, compared with C$826m or C$2.75.

Extraordinary income of C$46m in 1988 consisted of gains on the sale of bulkships, offset by a loss on the sale of Algoma Steel and writedown and restructuring charges in respect of CP Telecommunications.

In 1987, extraordinary income of C$190m included gains on the sales of Canadian Pacific Air Lines, Maple Leaf Mills and an office building.

The group's largest source of earnings improvement in 1988 was Canadian Pacific Forest Products.

High copper prices prop BIG profits

By Kenneth Gooding, Mining Correspondent

HIGH COPPER prices have compensated for the weakness in the price of gold in the first-half performance of Bond International Gold, which was floated on the New York Stock Exchange last August by Dallhold, Mr Alan Bond's family company.

BIG yesterday reported net income of $13.3m for the quarter to December 31, taking the half-year total to $15.2m or 28 cents a share.

The El Indio mine in Chile is BIG's mainstay and analysts who visited the mine recently say that copper produced as a by-product is contributing as much revenue as gold. El Indo is a major mine by world standards with an annual output of about 250,000 ounces of gold and 65m lbs of copper.

BIG said the results reported yesterday included half-year income of US$4.3m from North Kalgurli Mines, BIG's 40 per cent owned Australian affiliate which reports only every six months, and unrealised foreign exchange gains of US$4m (net of income taxes), including $2.6m in the company's share of North Kalgurli net income.

Net sales totalled $55.1m for the second quarter on attributable gold production of 116,400 troy ounces while the half-year attributable output was 215,600 ounces, yielding net sales of $99.3m.

Coleman chief bids for own company

By Roderick Oram in New York

COLEMAN, the US maker of camping and other outdoor recreational equipment, has received an offer from its chairman to take the company private in a deal worth some $450m.

The Wichita, Kansas, group which has the most famous brand name in its field, said its board was to meet later yesterday to consider the offer from Mr Sheldon Coleman.

The terms are $54 cash and $10 of preferred stock for each common share.

Coleman recently reported 1988 net profits of $24.4m or $3.47 a share, on sales of $657.9m, against $19.2m or $2.72 on sales of $598.5m a year earlier.

Profits bottomed out at $10m in 1985 and Wall Street expects further growth this year from the company's wide product range.

In 1987, some 28 per cent of its sales came from camping and other outdoor products such as food coolers, 17 per cent from heating and air conditioning equipment, 15 per cent from boats and other water sports equipment, 14 per cent from recreational vehicles and equipment such as camping trailers and 7 per cent from hunting and shooting products.

Arco to boost capital spending

By Our Financial Staff

ATLANTIC RICHFIELD, one of the largest US domestic oil groups, plans to increase capital spending by 30 per cent in the current year to $2.6bn from $2bn last year, with the biggest increase coming in exploration and production.

Arco also said its 1988 worldwide production was 375m barrels of crude oil equivalent, and that it had replaced about 575m barrels of crude oil equivalent.

Besides $2bn capital spending last year, Arco paid $1.6bn in acquiring Tricentrol, various Tenneco properties and Australian coal interests.

Toyota Motor has strong first half

By Clive Wolman in Tokyo

TOYOTA MOTOR, Japan's biggest car maker, yesterday announced a sharp increase in first-half profits, which confirmed its recently-regained status as Japan's most profitable company.

The parent company, which excludes overseas manufacturing subsidiaries, announced a 17 per cent rise in pre-tax profits to Y261.7bn ($2.04bn) and a 7 per cent increase in the number of vehicles sold to 1.96m in the six months to December 31.

Despite the continuing rise in the yen against foreign currencies, the number of vehicles exported increased by 2 per cent to 894,000.

This was mainly the result of an upsurge of exports to South-east Asia and Australia. In 1988, the number of cars exported to these two regions increased by 41 per cent to 118,000, and 63 per cent to 51,000, respectively.

Sales to the US in 1988 fell by 5 per cent to 859,000 cars but those to the UK rose by 10 per cent to 44,000. The proportion of cars exported fell by two percentage points to 45.6 per cent.

In Japan, the number of vehicles sold rose by 12 per cent to 1.067m as a result of full model changes for the Mark II, Chaser, Cresta and Hilux models and other model improvements. Profits were boosted by the faster sales growth of high-margin luxury models, in particular the Crown, which recorded sales of 175,000 in 1988 in Japan, a 30 per cent increase.

Total sales, including those of houses which rose by 26 per cent in volume, were higher by 9 per cent at Y3,508bn, and operating income (excluding the returns from Toyota's Y2,000bn pool of liquid assets) rose by 9 per cent to Y178.8bn.

The increase was achieved through the saving of Y50bn by rationalisation and the generation of an extra Y60bn through more effective marketing.

These gains were offset by a Y50bn. deterioration arising from the higher exchange rate.

In the second half of the financial year to June, the company expects to maintain the same level of export sales, and achieve a slightly higher level of domestic sales. The interim dividend was set at Yen 9 per share.

ABB secures approval for US venture

By William Dullforce in Geneva

ASEA BROWN Boveri, the Swedish-Swiss electrical engineering group, has secured US Justice Department approval for its joint venture with Westinghouse Electric in power transmission and distribution equipment, but has had to abandon a smaller venture in steam turbines.

Mr Percy Barnevik, ABB's chief executive, said under the re-arranged deal announced yesterday the European group would secure "more or less 80 per cent" of the "total engagement" the two concerns entered into last April before they were balked by the Justice Department's anti-trust division.

Now ABB will initially pay Westinghouse about $800m for 45 per cent of the newly created Westinghouse ABB Power T & D Company and for 45 per cent of the stock of some Westinghouse subsidiaries in Brazil and Argentina.

Westinghouse and ABB are putting the manufacturing plants, engineering and marketing organisations of their US transmission and distribution businesses into the new company. A "put and call arrangement" would enable ABB to take complete control in 1990 for a further payment of around $450m.

This second payment would also cover the purchase of the transmission and distribution equipment business of Westinghouse Canada, for which Canadian government approval is being sought.

Under the original agreement ABB would have paid $500m for 45 per cent stakes in the two US ventures - one in transmission and distribution with annual sales of $1.4bn and the second with a $700m turnover in steam turbines and generators.

After two years ABB could have bought out the Westinghouse interests but no price was fixed.

The Justice Department objected that the steam turbine venture would leave General Electric as the only other leading supplier. Under the "consent decree" published yesterday it enjoined ABB and Westinghouse not to proceed with the steam turbine venture.

The Department also required ABB to divest itself of its Waukesha, Wisconsin, transformer business before completing the transmission and distribution merger. The complicating factor here was General Electric's sale two years ago of its big power transformer business to Westinghouse.

Annual sales of the new joint venture in the US and of the Brazilian and Argentinean subsidiaries are about $1bn, ABB said. That excludes the Canadian operation.

Mr Barnevik said that for ABB the deal concerned "market presence." It made the European group "a US domestic producer smack where we wanted to be with 50 sales offices all over the US and contacts with the (power) utilities."

Consolidated Freight in $230m bid for Emery Air

By Our Financial Staff

CONSOLIDATED Freightways, the diversified US transport group, has launched a tender offer for Emery Air Freight, one of the largest US air cargo carriers, in a tender offer valued at around $230m.

The acquisition will give Freightways, which operates the nation's third largest general freight carriers, a position in the international market, where Emery is strong. It is offering $7.75 for each common share and $21.10 for each preferred share which are owned by Emery's employee stock ownership plan.

Freightways plans to merge the Emery operations with those of its AirFreight unit, the third largest US air freight carrier specialising in heavy cargo. The combined company, Emery Worldwide, would be headed by Mr Donald Berger, president of AirFreight.

Consolidated Freightways operates long-haul trucking, air freight and regional trucking. Emery provides worldwide air courier and air cargo services; in the first nine months of last year it lost $17m.

Quebec to allow insurers to forge industrial links

By Robert Gibbens in Montreal

QUEBEC, in the vanguard of financial services' deregulation for a decade, plans to allow provincially-chartered insurance companies to own commercial or industrial concerns.

Mr Pierre Fortier, Minister of Financial Institutions, said: "Allowing our insurance companies to develop commercial links through separate holding companies will complete our reform of financial institutions." A draft bill should be ready this autumn.

The Montreal-based Laurentian Group, a large insurance and banking conglomerate, and several other Quebec insurance companies have been pressing for the right to own commercial and industrial companies. The aim is to build larger conglomerates, better able to compete internationally and retain a greater measure of control of the Quebec economy.

Quebec is in its turn putting trong pressure on the federal government to relax rules on ownership of the chartered banks and on the banks' ability to own non-banking concerns.

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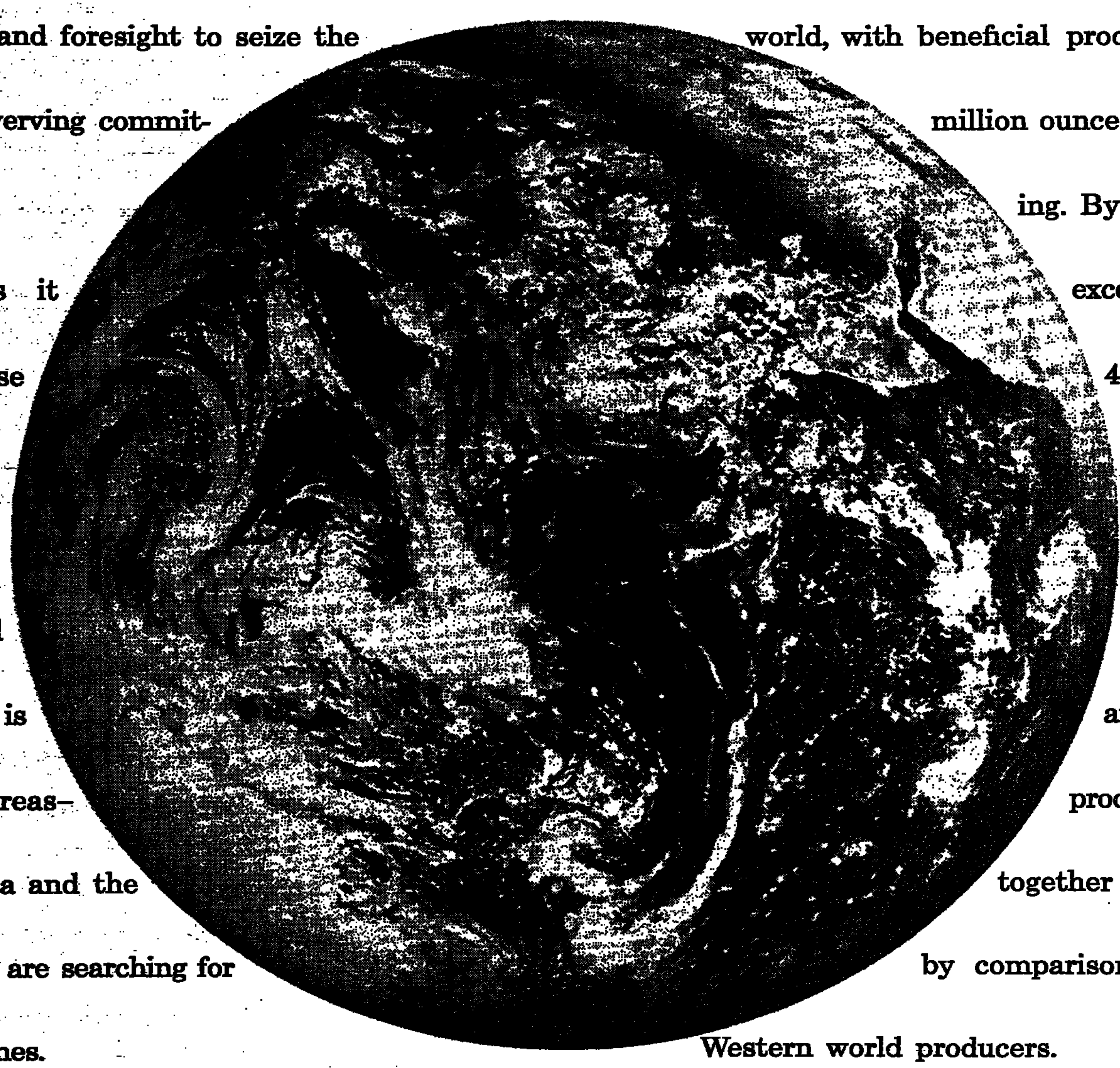

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Gold Fields' activities described here are carried out through subsidiaries and associated companies including joint ventures to which they are party. The gold reserves and production figures show the beneficial interest of Consolidated Gold Fields PLC. References to a particular year are to the financial year ending in that year.

INTERNATIONAL COMPANIES AND FINANCE

Aga increases profits and dividend on higher sales

By Sara Webb in Stockholm

AGA, the Swedish industrial gas group, increased its profits (after financial items) by 13 per cent to SKr1.15bn ($181.6m) in 1988 from SKr1.01bn the previous year. The dividend is going up from SKr5.25 to SKr6.5 per share.

Aga said operating profit for comparable units rose by 21 per cent while sales for comparable units had increased by 11 per cent.

However, total group sales fell by 7.5 per cent to SKr9.8bn due to the divestment of Aga's tool steel operations, which had contributed SKr2.13bn in sales in 1987. Acquistions made during 1988 added about SKr250m in annual sales, the group said.

Operating profits for the industrial gas division jumped 34 per cent to SKr1.08bn while sales increased by 18 per cent to SKr6.73bn, helped by recent acquisitions.

Aga bought Liquefaction de l'Air, a French gas company based in Nice, last May in order to boost its position in the French market. It also acquired Duffour + Igon, another French gas company with operations concentrated in south and south-west France in 1987 and gas companies in Sweden and Finland.

It said acquisitions accounted for a 6 per cent rise in profits for the gas division and a 7 per cent rise in sales.

Frigoscandia, the group's commercial freezing business, increased its operating profit by 21 per cent to SKr182m.

Schering achieves record earnings

By Leslie Colitt in Berlin

SCHERING, the West German pharmaceuticals and chemicals group, achieved record group earnings last year of DM157m ($84.4m), up 10 per cent, on sales rising 12 per cent to DM5.3 bn.

Parent company earnings rose 18 per cent to DM 125m and Schering explained that group profits expanded less strongly because markedly improved results in the US, Italy, France and Spain were offset by falls in Japan and losses in the Diamalt subsidiary.

A powerful 13 per cent expansion abroad resulted in DM4.2 bn in sales while domestic turnover was up 10 per cent to DM1.1bn.

The pharmaceuticals division had sales of DM2.6bn, up 13 per cent.

Oral contraceptives and unionised radio-opaque substances were the best sellers.

Agrichemicals boosted turnover 11 per cent to DM1.3bn, largely as a result of weather conditions leading to high demand for beet herbicides and grain fungicides in Europe.

The electroplating division pushed up turnover by 20 per cent to DM324m while industrial chemicals sales rose 12 per cent to to DM1bn.

Hoogovens buys 30% steel stake

By Laura Raun in Amsterdam

HOOGOVENS, the Dutch steelmaker, has acquired a 30 per cent stake in Namascor, a small specialty steel processor jointly owned by several companies.

Namascor cuts heavy hot-rolled steel coil into sheets and can produce thicker ones than Hoogovens. Namascor turns out 160,000 tonnes a year, employs 70 people and is in Moerdijk, south of Rotterdam.

Hoogovens is paying cash for its stake, which is being acquired from the existing shareholders. They are Kloeckner of West Germany with 30 per cent, Finsider of Italy with 30 per cent and Japan's Mitsubishi with 10 per cent after the Hoogovens deal.

Hoogovens declined yesterday to reveal the purchase price, Namascor's profits or sales or why the acquisition was retroactive to January 1.

The Dutch steelmaker has sought to move its product mix toward higher value-added steel and aluminium products. With Namascor, it is aiming to cater to customers who buy sheet steel made from hot-rolled coil.

Spanish detergent group chief goes in boardroom row

By Peter Bruce in Madrid

CAMP, the family-owned Spanish detergent group and one of the last successful independent competitors in the market, yesterday sacked its chief executive, Mr Manuel Luque, after a row over control of the company between the three brothers who own it.

Mr Luque, 41, had been largely responsible for a remarkable revival in Camp's fortunes in recent years. Appointed chief executive of the Barcelona-based group in September 1985, he began a long series of personalised television advertisements that shook multinational competitors such as Unilever and Proctor and Gamble and won Camp a 25 per cent share of the Spanish washing powder market by last year.

He put nearly Pta10bn ($87m) on Camp's turnover, which reached Pta31bn last year and brought the company back into profit from a Pta1.1bn loss in 1985.

His success appears to have irritated two of the Camp brothers, Alberto and Juan, who own 56 per cent of the business. The other brother, Jose Camp, who is president of the company, has tried to protect Mr Luque, but to no avail. His two brothers, meanwhile, have denied persistent rumours that they want to sell the company to a competitor.

Each of the Camp brothers own 28 per cent of the company and doubts about Mr Luque's future first surfaced in January when the company announced it was suspending its successful television campaign.

If Camp were to come up for sale, it would be a major prize for any competitor. Spain's detergent market is growing quickly. In 1987 some 416,000 tonnes of washing machine detergent were sold, more than double the figure 10 years earlier. Colon, Camp's leading brand, vies with Proctor and Gamble's Ariel as the market leader but the fight for points in the Nielsen market ratings has become fierce.

Banco de Santander advances by 50%

By Tom Burns in Madrid

BANCO de Santander, one of the banks that steered clear of last year's round of mergers, was the most profitable Spanish bank in 1988 with pre-tax profits rising 50 per cent to Pta43.1bn ($372m).

Another bank to remain independent, Banco Hispano Americano, showed a dramatic turnround with pre-tax profits of Pta40.3bn, up from Pta355m last year when its allocated virtually all its income to risk reserves and pension provisions.

The strong increases in Santander's financial margin and cashflow in turn fuelled an aggressive acquisition policy in Europe that included the purchase of a 10 per cent stake in the Royal Bank of Scotland.

Hispano's results in contrast were boosted by extraordinary earnings of Pta33bn through the sale of its subsidiary bank Urquijo-Union.

Among the bigger banks, Banco Bilbao and Banco de Vizcaya, who were responsible for shaking up the banking establishment by becoming Banco Bilbao Vizcaya (BBV) in the course of 1988, reported joint results of Pta78.6bn profits, an increase of 22.6 per cent over the sum of their separate pre-tax profit figures in 1987.

Banco Central and Banesto, the two biggest individual banks who took their cue from BBV and agreed to become Banco Espanol Central de Credito (BECC) lifted their profits by 30.1 per cent to Pta41.8bn and by 32.2 per cent to Pta39.8bn respectively.

There were marked differences in the two results, however, for Banesto's extraordinary earnings, chiefly through asset sales, totalled Pta31.8bn whereas this income represented only Pta2.9bn on Central's balance sheet. Central had undergone a similar streamlining and reserve provisioning process in 1967 when its extraordinary earnings had totalled Pta21.4bn.

Banesto's results prompted a row at boardroom level with a number of directors objecting to the management record of Mr Mario Conde, who became Banesto's chairman in December 1987. The attack on the bank's profitability in the past 12 months was led by directors representing Cartera Central, a share portfolio company that also owns a large stake in Banco Central and is the main powerbroker in the prospective merger of the two banks.

Cartera Central's contention that Mr Conde had inflated profits through selling bank assets to other companies within Banesto's financial and industrial group and that the chairman was witholding information from the board mirrored similar objections that the portfolio company had levelled in the past at Banco Central's chairman Mr Alfonso Escamez.

Such objections heightened a continuing debate in Spanish banking over the role that extraordinary earnings have played in the profits of different institutions.

In addition to meeting strict requirements on risk and pension fund provisions laid down by the monetary authorities of the Bank of Spain, the bigger Spanish banks now have the additional burdens brought on by merger obligations.

Banco Popular, the smallest of the main banks and, like Santander and Hispano, one that has been spared the stress of joining forces with a close rival, boosted its profits by 25 per cent to Pta30.5bn.

Large Italian bank merger steps closer

By John Wyles in Rome

THE first hurdles were cleared yesterday towards the incorporation of Banca Cattolica del Veneto into Nuova Banco Ambrosiano. When the merger takes places at end of the year, the result will be Italy's largest private bank with deposits of L13,000bn ($9.55bn) and combined gross operating profits in 1988 of L416bn.

The merger has been delayed by regional hesitations in the Veneto where the Cattolica has been regarded as an important engine of local economic development which could be less reliable in other hands.

But Mr Giovanni Bazoli, the NBA chairman, said yesterday there was no risk of the Cattolica being "drowned" by the Milanese bank. What was being created was a major national and international banking force for the Lombardy-Veneto region.

He said that finding the right merger formula had been a long and difficult process because of technical and fiscal obstacles. NBA already owns 51 per cent of the Cattolica and the incorporation formula offered the best fiscal solutions.

The actual terms of the arrangement have to be worked out after both banks have been valued by independent auditors.

The final terms must then agreed by both boards and then by extraordinary general meetings. Mr Bazoli said yesterday he hoped that the exercise would be completed by the final quarter of the year.

NBA recently announced a 3.3 per cent rise in gross operating income to L216bn.

INTERNATIONAL COMPANIES AND FINANCE

Elders stays ahead only through halved tax charge

By Gordon Cramb in Melbourne

ELDERS IXL, the Australian brewing and rural services group, showed the adverse effects of a stronger local currency and higher interest rates in the six months to December, achieving an increase in net profits only because of a halved tax charge.

Net earnings were up 12 per cent to A$305.4m (US$271.5m), roughly matching market forecasts. However, at the pre-tax level, profits were down to A$365.6m, compared with the A$445.1m recorded for the same period of 1987.

The latest outcome was also below the A$409.3m figure given through adjusting the results for the half year to reflect subsequent restructuring moves.

During 1988 Elders put its Courage public houses in the UK into PubCo, a joint venture with Hudson Conway, an associate company. The group also sold its 17.9 per cent shareholding in BHP and redeemed A$860m in preference capital.

As a result of the BHP disposal, general investment income before interest and tax fell from A$201.1m to A$69.7m. The contribution comes mostly from Elders Resources, the group's 42.6 per cent-owned offshoot which controls New Zealand Forest Products. However, the latest figure is nearly double the non-BHP component of A$35.1m for the 1987 first half.

Brewing, the group's biggest division, brought in A$271.9m compared with an actual A$322.5m, but against only A$232.8m if the cost of rent due to PubCo had been deducted. Elders plans to spin off its brewing side as a British quoted company within the next two years.

Of its other operating units, Agribusiness brought in A$74.2m, down from A$85.9m. Mr John Elliott, Elders chairman, attributed this yesterday to "volatile international commodity prices, drought in the US, depressingly high interest rates and a dangerously strong Australian dollar."

Pacific Dunlop in US purchase

By Chris Sherwell

PACIFIC DUNLOP, the Australian-based multinational industrial group, is set to become the world's largest glove producer through the US$228m cash purchase of the Edmont division of Becton Dickinson of the US.

Edmont is said to be world leader in the production and marketing of industrial gloves, while Pacific Dunlop is already the largest producer and distributor of latex surgical gloves, medical examination gloves and household gloves.

The group's glove interests are held through Ansell International, which is a major producer of balloons and condoms.

The contribution of A$160m from Edmont sales is expected to increase Ansell's worldwide sales to A$530m (US$471m) annually.

Describing Edmont and Ansell as "a perfect fit," Sir Leslie Froggatt, Pacific Dunlop's chairman, said yesterday the group would be able to expand its product ranges in North America, Europe and Asia and achieve benefits in marketing, distribution and warehousing.

Edmont has four US manufacturing plants, one in Canada and one in Mexico. It also sources products from other countries, including China. According to Pacific Dunlop, the company is responsible for virtually all synthetic glove innovations of the past 20 years.

Yesterday's announcement came hard on the heels of Pacific Dunlop's A$125m interim profit for the six months to December, which maintained the group's compound annual growth in profits of more than 30 per cent since 1980.

It also continued the group's trend of major acquisitions to buttress this growth. Pacific Dunlop said yesterday its purchase was being funded using cash reserves held on deposit, but longer-term financial restructuring remained under consideration.

Straits Steamship raises profits 41%

By Our Financial Staff

STRAITS STEAMSHIP of Singapore reported a 41 per cent increase in group pre-tax profit to S$24.1m (US$12.5m) for 1988 on a near 7 per cent rise in turnover to S$140.1m.

The group said yesterday it had gained from a 17 per cent improvement in investment income to S$4.8m as well as from a decrease in interest payments, which fell by more than half to S$1.7m. Earnings were also boosted by higher profits from associated companies.

The directors, who plan to step up the final dividend from S$1.5 a share to S$2, said the group's core businesses had turned in a better operating performance.

After-tax profits came to S$18.5m, a 68 per cent increase following a marginally lower tax charge. Profit attributable to shareholders, after minority items and extraordinary items, was S$17.1m, against S$9.1m in 1987.

For the current year, the company expects to realise net proceeds of about S$60m from the public listing of Steamers Maritime Holdings, the group shipping arm. Straits Steamship has set an issue price of S$1.20 per share for the Steamers listing.

The offer will result in Straits reducing its shareholding in Steamers to 40 per cent of the enlarged capital from 100 per cent. Full details of the offer will be released early next month.

TNT results up despite European weakness

By Chris Sherwell in Sydney

TNT, the Australian-based international transport and freight group, yesterday reported equity-accounted after-tax profits of A$120.4m (US$107m) for the six months to December. This was a rise of 17.8 per cent over the same period in 1987, on revenues of A$2.69bn, up 13.6 per cent.

The group said its European results were "hit heavily" by the development of its overnight air freight service. However, it achieved a substantial increase in earnings in Australia and the US, a record result in Brazil and reduced its losses in New Zealand.

The profits figure included sharply-increased contributions from associated companies, including the Ansett aviation concern, owned jointly with Mr Rupert Murdoch's News group. These companies contributed A$41.7m to equity-accounted earnings, compared with A$17.8m previously.

At the pre-tax level, the group reported a virtually unchanged profit of A$181m, after suffering higher interest, depreciation and amortisation costs. The group also reported extraordinary gains of A$33.3m, mainly from foreign currency, against losses of A$23m previously.

Directors declared a 3.75 cent second-quarter dividend, making 7.5 cents for the six months, unchanged from the same period in 1987. The dividend is wholly unfranked.

Regarding its Europe-wide overnight air freight service, the company said "costs associated with this important strategic investment in TNT's future impacted heavily on the current profitability of both TNT United Kingdom and TNT Express Europe."

However, the only details it gave concerned the introduction of a further four BAe 146 freight aircraft, one each operating out of Spain, Sweden and West Germany, and the fourth out of Hungary in a joint venture with Malev, the Hungarian flag carrier, and other Hungarian groups.

Kymmene boosts turnover by 10%

By Olli Virtanen in Helsinki

KYMMENE, Finland's largest forest products group, announced a 50 per cent increase in operating profit to FM1.2bn ($285m) for 1988. Turnover, excluding the Schauman group with which Kymmene merged last year, grew by 10 per cent to FM10.5bn.

Profit before appropriations and taxes, including income from sales of fixed assets totalling about FM1bn, amounted to FM1.8bn, up from FM801m in 1987.

Increased profitability was mainly due to strong market conditions for Kymmene's main products, printing and writing papers and fine paper. Total paper production increased by 9 per cent to 1.7m tonnes. Pulp production totalled 1.15m tonnes – an increase of 63 per cent, largely due to the integration of Schauman's large pulp division.

Total capital spending in 1988 was FM3bn, of which 60 per cent was financed through operating income and the rest with income from asset sales.

The outlook for 1989, says Mr Casimir Ehrnrooth, chairman and chief executive, is generally good. Capacity utilisation at the paper mills is expected to remain high while brisk demand for pulp will probably help maintain paper prices.

Some 73 per cent of Kymmene's pulp production will be used in the group's paper-making processes and the rest sold as market pulp. Mr Ehrnrooth expects total turnover for 1989 to reach FM12bn.

Skopbank advances

By Olli Virtanen

SKOPBANK, the Finnish savings bank group, reported a 6 per cent increase in operating profit to FM957m ($228m) for 1988, a year characterised by rapid growth.

The group balance sheet totalled FM63.5bn at the year-end, up from FM44.6bn. However, profitability did not keep pace with the balance sheet expansion. Return on equity declined from 19.4 per cent to 14.9 per cent, while earnings per share dropped from FM5 to FM4.74. The bank plans to increase its dividend from FM14 to FM15 a share.

Never the less, Mr Christopher Wegelius, managing director and chief executive-elect, said the result was good considering that the Skopbank group made heavy depreciations and provisions. Skopbank became listed on the Helsinki bourse last autumn.

● Okobank, effectively the central bank of Finnish co-operative banks, plans to go public via a FM270m ($64m) share issue on the Helsinki bourse; it will offer 3m shares at FM90 each. The shares entitle holders to a half dividend this year.

The issue will raise the bank's capital from FM930m to FM1.08bn. The subscription period runs from April 17 to April 28.

Okobank is almost wholly owned by Finnish co-operative banks, which will continue to hold the K1 and K2 series shares which have 5 votes per share as opposed to one vote for the new A shares.

Okobank's balance sheet at the end of last year totalled FM35bn.

Dairy Farm to buy HK 7-Elevens

DAIRY FARM International of Hong Kong plans to buy Jardine Pacific's 7-Eleven convenience store businesses in Hong Kong, Singapore and Malaysia for HK$450m (US$57.7m), writes our financial staff.

Dairy Farm is 40 per cent-owned by Jardine Matheson Holdings, which owns 100 per cent of Jardine Pacific.

Jardine Pacific will get HK$50m cash and 67.1m new Dairy Farm shares, worth HK$400m based on the average market price of Dairy Farm shares.

The sale is subject to the agreement of the Southerland Corp, 7-Eleven licensor.

INTERNATIONAL CAPITAL MARKETS

Australian bank launches US$200m flip-flop issue

By Andrew Freeman

NEW ISSUE activity among Eurobond houses recovered to normal levels yesterday, although traders continued to comment on the uncertain outlook for markets.

Credit Suisse First Boston was the lead manager for a so-called flip-flop deal for the Rural & Industrial Bank of Western Australia (Ribwa). A similar issue was launched for the Commonwealth Bank of Australia on January 25.

A flip-flop is a security in which the holder has the option to switch back and forth between the original paper and an issue of shorter maturity. A CSFB official described the structure as a stick and carrot arrangement, whereby the investor has an incentive to hold the paper for its running yield and must pay a small price for exercising the right to "flip" into the shorter paper.

The US$200m issue for Ribwa came in the form of an undated floating-rate note with a coupon of 6-month Libor plus 10 basis points, priced at par. After five years the bonds are exchangeable on coupon dates until and including 1998 into five-year notes yielding six-month Limean (the mean between London interbank offered rates and London interbank bid rates). The borrower has a call option at par in March 1994.

CSFB said there was good demand, particularly from money market accounts, and the bonds were quoted at 99.80 bid, comfortably inside fees of 30 basis points. After a series of similar issues, investors are familiar with the structure.

INTERNATIONAL BONDS

They treat the paper as 10-year until the flip-option comes into force and then regard it as normal five-year paper.

Another callable deal emerged, this time for Banco Commerciale Italiana (Hong Kong branch). The $100m 10-year issue carries a 10¼ per cent coupon and was substantially pre-placed in Japan by the lead manager, Salomon Brothers International. The paper is callable on a once-only basis after three years.

The launch spread was some 92 basis points over the equivalent 10-year US Treasury. The proceeds were swapped into floating-rate US dollars to achieve a funding rate of around 30 basis points below Libor.

The Eurosterling sector was uplifted by a £100m issue by the World Bank which was brought to market by Baring Brothers. The straight 10-year bonds carry a coupon of 10 per cent and were priced at 100½ to yield some 25 basis points over the 10¼ per cent due 1999 UK government issue.

According to the lead manager, the issue was in demand from a broad range of investors, including domestic and continental institutions. After a steady reception, the bonds were trading at less 1.90 bid, inside full fees of 2 per cent.

Several traders commented that the launch spread was tight. For example, the World Bank has outstanding 10⅝ per cent due 1999 paper which was launched in February 1987, and yesterday's issue was priced at 3 basis points outside the earlier deal's trading level.

The proceeds were swapped into floating-rate US dollars. A spokesman for the World Bank declined to reveal the funding rate achieved, but said it was very satisfactory. He said the purpose of the issue was to maintain the bank's existing presence in the Euro-sterling sector by appealing to a wide investor base.

Banque Paribas Capital Markets was the lead manager of an A$60m zero-coupon issue for Swedbank. The two-year bonds, which are non-callable, were priced at 75.367 per cent and were aimed at specific demand in Europe. The proceeds were swapped into floating-rate US dollars.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
R.&Ind.Bk W.Australia(d)♦	200	10bp	100	undated	30/15bp	CSFB
B.Comm.Italiana(HK)(a)♦	100	10¼	101⅞	1999	2/1¼	Salomon Brothers Int.
Final terms fixed on:						
Eidensha Co.(b)♦	50	5⅛	100	1993	2¼/1½	Nomura Int.
AUSTRALIAN DOLLARS						
Swedbank♦	60	Zero	75.367	1991	1/⅛	Banque Paribas Cap.Mkts
STERLING						
World Bank♦	100	10	100½	1999	2/1⅞	Baring Brothers
SWISS FRANCS						
Takeda Kiko Co.(c)★§	40	(½)	100	1994	n/a	SBC
YEN						
Abbey National B.Society♦	20bn	5⅛	101¾	1994	1⅞/1¼	Daiwa Europe

★With equity warrants. §Convertible. ‡Floating rate notes. ♦Final terms. a) Callable at par 1992. b) Coupon cut by ... indication of 5¼%. c) Indicated put option 30/9/91 at 105⅞ to yield ... notes at 6-month Limean which can be changed back to undated notes ... Call at par from March 1994. Additional $100m on tap. 10bp over 6-month Libor. ★★Private placement.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on February 14

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93	93½	0	−0⅛	10.21
B.F.C.E. 7 92	150	92	92⅜	−0⅛	−0½	10.04
B.F.C.E. 9¼ 95	150	97⅞	98	0	−0⅞	9.73
Brit. Tel. Fin. 9⅝ 98	250	97½	98	−0⅛	−1¼	9.73
Canada 9 96	1000	†97⅛	97⅝	−0⅛	−1⅛	9.52
Canadian Pac 10¼ 93	100	†101¾	102⅛	0	0	10.05
C.C.C.E 9¼ 95	300	97½	98	+0⅛	−0⅛	9.75
C.N.C.A 9⅝ 93	150	†98⅞	98¼	0	−0⅛	6.75
Credit Lyonnais 9 91	200	*†98	98½	0	−0⅛	9.98
Credit National 8¼ 93	200	†94½	94⅞	+0⅛	−0½	9.86
Credit National 7⅞ 92	100	92¾	93⅛	−0⅛	−0⅛	10.03
Credit National 7¼ 91	150	*†93¼	93¾	0	−0⅛	9.97
Dai-Ichi Kan 9⅝ 92	150	†99	99½	0	−0⅛	9.84
Denmark 7⅛ 92	500	†92½	93	+0⅛	−0⅛	9.99
E.E.C. 7 91	100	93⅛	93⅝	+0⅛	−0⅛	9.80
E.E.C. 7¼ 93	250	91⅛	91⅜	0	−0½	9.85
E.E.C. 8 90	350	†97⅛	97⅝	0	0	9.96
E.I.B. 7⅝ 93	100	91½	92	0	−0⅛	9.84
E.I.B. 9⅜ 97	150	97⅞	98¼	−1¼	−1⅛	9.71
Elec.De France 9 98	200	95¼	95⅝	+0⅛	−1⅛	9.79
Finland 7⅞ 97	200	89½	90	0	−0⅞	9.79
Flan.Exp.Cd. 8½ 92	200	95¾	96⅛	0	−0½	10.06
Flan. Exp. Cd. 9⅜ 95	200	97⅝	98⅛	0	−0⅞	9.80
Ford Motor Credit 8 91	250	†95¾	96⅛	−0⅛	−0⅛	10.12
Gen.Elec.Cap.Corp. 9 93	500	96¾	97⅛	−0½	−0⅛	9.80
Gen Elec Credit 10¼ 00	200	†99¾	100¼	−0⅛	0	10.23
Gen.Mtrs.Corp. 9⅛ 92	200	97⅞	98⅛	−0⅛	−0⅛	9.85
Halifax BS 9½ 93	200	†97¾	98⅛	+0⅛	−0½	10.02
IBM Credit Corp. 8⅞ 91	250	†97½	98	0	−0½	9.83
Italy 9 90	1000	†98¾	99⅛	−0⅛	−0⅛	9.54
Italy 9½ 95	1000	†98½	99	+0⅛	−0⅞	9.74
L.T.C.B of Japan 8 91	100	†95⅛	95⅝	+0⅛	−0⅛	10.14
L.T.C.B. of Japan 9⅛ 92	200	97⅞	98⅛	−0⅛	−0⅝	9.93
Metropolis Tokyo 9½ 93	200	99⅝	100⅛	+0⅛	−0⅝	9.53
Morgan Guaranty Tst. 7 90	150	†97	97½	+0⅛	+0⅛	9.80
Nippon Tel.&Tel. 9⅝ 98	250	97½	98⅛	−0⅛	−1¼	9.73
Norway 8¾ 93	500	96⅞	97	0	−0½	9.79
Portugal 8¼ 91	300	*†95¾	96⅛	0	−0⅛	10.38
Prudential Crp. 8¾ 94	125	95½	96⅛	+0⅛	−0⅝	9.77
Qantas Airways 10⅛ 95	140	102⅛	102⅝	0	−0⅝	9.83
Saskatchewan 10⅛ 92	100	101⅜	102⅛	0	−0½	9.95
State Bk S Aust 9¼ 93	100	97½	98	−0⅛	−0⅝	9.96
Sumitomo Bank 9⅝ 92	150	†99⅛	99¾	+0⅛	−0⅛	9.76
Swed Exp Cred 7¼ 91	100	*†93¼	93⅝	0	−0⅝	10.03
Sweden 7 91	250	†93⅛	93⅞	+0⅛	−0⅛	9.82
Sweden 8¾ 96	200	95⅝	96⅛	+0⅝	−0½	9.57
Sweden 8½ 92	200	†96	96½	−0⅛	−0⅛	9.78
Toyota 9½ 91	200	†99½	100	0	−0⅛	9.58
Victorian Rep 11⅝ 92	150	104	104½	0	−0½	9.98
World Bank 7 92	300	*†92⅛	92⅝	0	−0⅛	10.11
World Bank 9 97	300	95¾	96¼	−0⅛	−1	9.69
World Bank 9¼ 98	300	96⅞	97⅜	0	−1½	9.71
Yasuda Trust Fin 8½ 93	100	†94½	95	0	−0⅛	10.02

Average price change... On day 0 on week −0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	99½	100	+0½	+0¼	6.05
Avis Fin.SVS 5⅞ 92	100	98	98½	+0¼	+0¼	6.52
Bank of Tokyo 5⅞ 93	100	98¼	99¼	−0⅛	−1	6.03
Central BK. Turkey 7 92	200	101½	102	0	−0⅛	6.43
Commerzbank o/s. 5⅝ 93	300	97½	98	0	−0⅞	6.04
Degussa Int. 6⅛ 97	200	98½	99	0	−0⅞	6.31
E.I.B 5½ 98	150	92¾	93¼	−0¼	−0¼	6.53
E.I.B. 6¼ 99	600	97½	97¾	−0⅛	+0⅛	6.58
E.I.B. 6¼ 96	300	97⅝	98⅛	−0¼	−0⅝	6.49
E.I.B. 6⅛ 97	400	97⅜	97⅞	−0¼	−0⅞	6.51
E.I.B. 6⅞ 95	300	101½	102	−0¼	−0⅛	6.54
Euro.Coal& Steel 5⅞ 97	175	95⅞	96¼	0	−0¼	6.51
Eurofima 6¼ 96	100	100½	101	0	+0⅛	6.11
Elec De France 5⅛ 97	300	95¼	95¾	−0½	−0⅞	6.46
Forsmark Krig. 5¼ 93	200	96	96½	−0¼	0	6.20
I.A.D.B. 6 97	200	96	96½	−0¼	−0½	6.62
Japan Dev. Bk. 5⅝ 95	300	†96¼	96¾	−0¼	−1	6.06
Japan Finance 5¼ 97	100	95½	96	−0¼	+0½	6.45
Ireland 6½ 97	300	99⅛	99⅝	−0⅛	−0⅛	6.58
Malaysia 6¼ 94	150	99⅞	100⅜	0	0	6.24
Nat. West BK. PLC 6 98	300	†95½	96	−0⅛	−0½	6.63
N.H.L. Finance 6¼ 95	200	†98¾	99¼	+0½	+0⅛	6.43
Nippon Telg.&Tel. 6 95	400	†98½	99	0	+0¼	6.17
Oesters. Kontbk. 5 93	300	96⅛	96⅞	−0⅛	−0⅛	5.98
Portugal 5⅞ 92	150	96⅞	97⅜	+0⅛	−2⅛	6.69
Portugal 6⅞ 95	150	100⅛	100⅝	0	−0⅛	6.54

Mexican authorities arrest top brokers

By Our Mexico City Correspondent

OFFICIALS FROM two of Mexico's leading investment brokerage firms have been arrested on criminal charges for stock market violations during the 1987 crash, Mr Pedro Aspe, the Finance Minister, has announced.

As many as 153 additional individual operators throughout Mexico's 24 investment brokerage firms are also implicated in irregularities that could lead to permanent suspensions of their trading licences, Mr Aspe said.

In a tersely-worded statement on Monday night, the Finance Minister revealed what had long been suggested in the national press, namely that the country's most prestigious brokerage house, Operadora de Bolsa, was at the heart of a scandal to defraud naive investors who flocked to the market during an unprecedented boom in 1987.

Two of the company's top executives were detained, including the company's high-profile head, Mr Eduardo Legorreta, as well as two officials from Mexicana de Valores e Inversiones (Mexival), the brokerage house, the Attorney General's office announced.

More arrests are said to be imminent.

Mr Aspe charged Operadora de Bolsa and Mexival with conducting operations in 1987 "that dangerously contravened stock market law."

Exhaustive investigations, Mr Aspe said, showed that Operadora de Bolsa engineered the transaction of Cetes (Treasury bills) that had already matured and were therefore out of circulation.

The company is also accused of obscuring records from the central bank and from the market watchdog, the Mexican Stocks Commission, as well as carrying out unauthorised share trading.

Mexicana de Valores e Inversiones has been charged with making use of unsolicited credit to buy shares in investment brokerage firms, without the consent of clients.

In his statement, Mr Aspe said company heads were also among the 153 individuals accused of trading abuse. In these cases, investigation could discover no actual violation of the laws, but irregularities were found that would be answered with full repayment of defrauded accounts, or permanent suspension from trading activity in the stock market, Mr Aspe said.

The detail in which Mr Aspe unveiled the charges, and the swiftness of the arrests, have been greeted with relief by national press commentators who have been calling for convictions since the extent of trading abuse was first brought to light in the wake of the 1987 crash.

The seizure of Mr Legorreta, brother of Mexico's leading business spokesman and member of arguably Mexico's most important financial family, is also likely to appeal to populists both within and outside the ruling party.

They have urged President Carlos Salinas de Gortari to sponsor an attack on corruption in the upper echelons of the business sector as mercilessly as he did against the powerful oil workers' union last month.

Bankers Trust sets up London equity operation

By David Lascelles, Banking Editor

BANKERS TRUST has set up a London-based equity broking group specialising in the Pacific Basin, marking a step into the equities market for the New York bank.

The group will specialise in 10 regional markets extending from Korea to New Zealand, but excluding Japan.

Mr Jonathan Compton, head of the operation, said investment managers were increasingly focusing on the non-Japanese Far Eastern markets as a group and the new Bankers Trust service aimed to draw on the bank's presence in those markets to provide a coordinated service.

The 10 markets represent about 100 major stocks and a capitalisation of $325bn, equivalent to about 5 per cent of the world index. They are also among the world's fastest-growing markets.

He said Bankers Trust had decided to locate the operation in London rather than the Far East because it was the centre of international fund management. The group would receive reports from Bankers Trust's regional analysts and be able to advise clients on a regional rather than a country-by-country basis.

The group will form part of Bankers Trust International's Asia merchant banking division.

INTERNATIONAL CAPITAL MARKETS

US Treasuries register losses in late trading

By Janet Bush in New York and Norma Cohen and Katharine Campbell in London

US TREASURY bonds yesterday extended their recent losses, although price falls were modest.

In late trading, the Treasury's new 8.875 per cent benchmark long bond was quoted ⅝ point lower for a yield of 9.09 per cent, while the yield on three-month Treasury bills stood at 8.85 per cent.

The bond market has lost around three points in the last few sessions under the weight of interest rate concerns and disappointing demand at last week's quarterly refunding. The fact that yields have already risen so much helped the market limit its losses in the face of a weak dollar.

The US currency came under selling pressure on remarks by President George Bush that he wasn't overly concerned about inflation and that he would not like to see a further tightening in monetary policy by the US Federal Reserve.

Much of the dollar's strength this year has been based on high US interest rates and expectations that the Fed would push them even higher.

The fact that the bond market had begun to look oversold only partly balanced the negative impact of the weak dollar and a stronger-than-expected increase in retail sales in January, together with President Bush's remarks about inflation which were regarded as complacent and confusing.

Fed Funds were yesterday quoted at 9¾ per cent for most of the day. Many analysts believe the Fed is tightening gradually – or will begin to – despite noises of concern from the White House.

"Yesterday's remarks by President Bush served to focus attention on whether the Fed is doing enough and has the will to combat inflation."

INFLATIONARY portents in the West German economy depressed the bond market yesterday so that on Liffe, the

GOVERNMENT BONDS

London futures exchange, the 10-year notional bund closed at 94.18 after 94.31 the previous day. At the morning fixings, the cash government bonds had been fixed up to 25 pfennigs lower.

Wholesale prices for January were up 1.7 per cent.

Dealers will be watching the terms of today's US-style repurchase agreement for hints of the Bundesbank's posture at tomorrow's council meeting.

THE DUTCH market took more of a tumble than Germany, so that prices were between 30 and 60 basis points lower over the day. The Dutch adopted a particularly dim view of the interest rate implications behind the wholesale price increase in Germany.

The 6¾ per cent 10-year loan fell 30 cents to 98.35. At these levels the spread between Dutch and German bonds is about 15 or 16 basis points, and dealers hinted that if this widened further to around 20 basis points, some investors might be tempted to switch from D-Mark to guilder paper.

FRANCE TOO sold off more than Germany on the poor inflationary news across the border. On the Matif, the March 10-year notional future ended the day 24 basis points lower at 105.62.

At these lower levels some buying demand was reported from domestic insurance companies during the afternoon at the longer end of the market.

Dealers were debating the direction of the spread between French and German paper, which has now widened to 215-220 basis points. At least one large investor was said to have switched out of German bonds into French stock, using the so-called barbell strategy.

IN A QUIET day for UK government bonds, the main focus of interest was index-linked securities, which had advanced some ¾ of a point in late trading. These lines of stocks were helped by equity market strength as well as recent stokings of inflationary concerns.

A reassessment of the previous day's economic statistics meant that some market participants were lending more weight to the inflationary significance of higher producer prices than to the other data suggesting the economy was slowing.

The implied real yield on the benchmark 2016 now stands at 3.54 per cent, compared with around 3.7 per cent at the beginning of January.

MORGAN GRENFELL has withdrawn as a member of the syndicate of foreign banks which will be allowed to underwrite and distribute Japanese government bonds. Japan allowed foreigners into the syndicate only last September, and actual underwriting is not set to start until April 1989. Foreigners may bid competitively for the 40 per cent of each JGB issue sold at auctions and will be allotted 8½ per cent of the remaining 60 per cent of each issue.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	109-03	-11/32	10.41	10.32	10.74
		9.750	1/98	99-26	-8/32	9.78	9.75	10.31
		9.000	10/08	100-18	+2/32	8.94	8.97	9.25
US TREASURY*		8.875	11/98	97-20	-9/32	9.24	9.00	9.07
		9.000	11/18	98-21	-14/32	9.12	8.85	8.90
JAPAN	No 111	4.600	6/98	97.8258	-0.062	4.94	4.93	4.74
	No 2	5.700	3/07	108.4022	+0.208	4.83	4.81	4.75
GERMANY		6.375	11/98	96.9000	-0.125	6.84	6.80	6.63
FRANCE	BTAN	8.000	1/94	95.8525	-0.129	9.13	9.05	8.45
	OAT	8.500	6/98	102.8000	-0.500	8.08	8.02	8.48
CANADA*		10.250	12/98	100.0000	-0.250	10.25	10.08	10.18
NETHERLANDS		6.7500	10/98	98.2250	-0.350	7.09	6.95	6.73
AUSTRALIA		12.000	7/99	89.6115	-0.050	13.90	13.80	13.09

London closing. *denotes New York close
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal
Technical Data/ATLAS Price Sources

Madrid brokers get together to buy bank

By Peter Bruce in Madrid

MADRID'S agentes de cambio y bolsa, the stockbrokers on the bourse who face the loss of their monopoly on market transactions once the Government introduces new reforms in June, have clubbed together and bought a bank.

The Government is said to be more than unhappy about the move, but has been unable to stop it. Seventy-nine of Madrid's 84 agentes have agreed to buy the Banco Hispano Industrial from Banco Hispano Americano for a reported Pta600m ($5m), in a defensive move to protect the huge profits they make as notaries through share transactions. The bank will be used primarily as a depository for the shares they trade after the market is liberalised.

Their monopoly in the stock markets is soon to disappear and the fixed commissions that have made the agents rich may go before 1992 as well. Although many agentes have founded their own brokerage or dealing companies ahead of the market liberalisation, they have been predictably unhappy about having to compete for business in an open market.

At the moment, shares are bought and sold by agentes for a fixed commission of 0.25 per cent and deposited free of charge with their association, the Junta Sindical, which is also going to disband after the new market comes into operation on June 29. Shares now bought through a bank, mainly by foreign investors, are normally subject to an extra 0.3 per cent commission to cover bank fees and the cost of depositing them.

After June 29 banks will probably become the main depositories for share certificates and by buying the Banco Hispano Industrial – in effect it exists only on paper and is significant only because a licence exists for it to carry out banking activities – the agentes are paving the way for a replacement of the Junta.

Threatened agentes in Spain's other bourses – Barcelona, Valencia and Bilbao – are also understood to be looking for available banking licences.

Bells ringing for German banks

Haig Simonian on a revival led by foreign investment houses

DOES Nomura, Japan's largest securities house, know something that the others do not? Its recent decision to take a 5 per cent stake in the Matsushka Group, a fast-growing West German financial partnership, is the latest sign that the bells are ringing again in German investment banking after a lengthy silence following the October 1987 crash.

The indications of an investment banking revival – especially among foreigners – are hard to miss. A number of new houses have been set up in recent months, and more are on the way.

"Things started gathering pace again last summer," says one leading banking headhunter in Frankfurt. Now much of that early hiring interest, marking the first step in an institution's entry into the market, is being translated into a search for offices and business.

Japanese houses have been leading the way. No less than four, Sumitomo Bank, Fuji Bank, Mitsubishi Bank and Mitsubishi Trust and Banking – the latter in partnership with Westdeutsche Landesbank –, opened Frankfurt investment banking units in the last quarter of 1988.

Last month, Sumitomo Trust joined the list. Dai-Ichi Kangyo Bank is due to open its securities operation "within the first half of this year," according to a well-placed Japanese banker, while three other Japanese city banks are believed to be waiting in the wings, with Sanwa Bank reportedly at the head of the queue. All are expected to open during the second half of this year, pending approval from the federal supervisors in Berlin.

Although the most numerous, the Japanese are by no means alone in their current interest in the German market. A number of Wall Street houses have also been brushing up plans which had previously been put aside following the crash and Bonn's decision to levy a new withholding tax on most savings and investments, which triggered great uncertainty in late 1987.

Merrill Lynch, which received its banking licence almost a year ago, is a prime example. The previous year it had been working on a blueprint for Germany, where it already had a retail and institutional US equity broking business.

But Merrill's new investment bank, which should be opening soon, will probably be a more modest affair than first intended in 1987. "It's what I call salami tactics," says Count Alfred Apponyi, one of the new unit's two managing directors. "The idea is to start slowly and carefully and proceed in a step-by-step way."

SUCH caution marks a change from some earlier arrivals in Frankfurt, which may have been too quick to transfer Wall Street razzmatazz to the conservative West German market. Many still point to Salomon Brothers' boisterous arrival as how best not to proceed.

Shearson Lehman Hutton, which has now built up a 12-man investment banking operation in Frankfurt, has also followed the Merrill Lynch route. The group, which concentrates on bond underwriting and corporate finance, is planning to expand, but only slowly, according to one of its directors.

The new climate has also been reflected at some of the established US commercial banks in Germany. In the past year, three, Morgan Guaranty, Security Pacific and Manufacturers Hanover, have all set up new investment banking subsidiaries incorporated under German law.

Sceptics, notably among the Wall Street houses in Germany, claim that shifting part of the business into a German *Aktiengesellschaft (AG)* is hardly going to transform the banks to investment banking competitors overnight.

But while it is hard to see what the change of name alone can achieve, all the banks defend their decision. Chemical Bank, which has had an AG operating alongside its German branch since 1982, has no doubt of the value. The German operation, which is active in the forex and German government bond markets, is now fully responsible for D-Mark products throughout the bank, according to Mr Rainer Gebbe, its chief executive.

But the apparent rush of newcomers to Frankfurt has once again raised two questions which were very prominent among local bankers before the crash.

First, what are they doing? Such doubts apply principally to the Japanese. Few foreign bankers believe the new companies can possibly justify their existence in terms of an adequate return on investment in the short to medium run.

While all the newcomers have expressed interest in bond underwriting and trading, and, at an indeterminate later date, corporate finance, including mergers and acquisitions (M&As), the pickings for most foreign operations are still slim.

The only entry into the embryonic German M&A business lies via acquisition, as done by Nomura, finding a special technique or bringing a deal involving a party from its home country.

Even the bond issuing and trading side looks overcrowded. January was a rotten month for the D-Mark Eurobond new issues business, while returns in the federal bond issuing consortium could slim as more foreign houses come on board. The consortium now has some 40 foreign members sharing between them 20 per cent of each regular bond issue.

FINDING staff is the other problem. During the height of the pre-crash expansion, foreign bankers were regularly complaining about how difficult it was to find good people.

Matters have not improved since. For the jobs market may have polarised since the crash. While Frankfurt has conspicuously avoided the waves of dismissals seen in London and New York, there have been staff trimmings, especially in foreign houses.

That has probably made many German bankers, working for domestic institutions, who stayed put during the first foreign hiring wave, even more reluctant to move now, despite the attractive salary packages being offered.

By contrast, some of those German bankers who shifted to a foreign bank following the gradual liberalisation of the German capital markets in the mid-1980s have since moved on again, creating a small but somewhat footloose pool of talent. For the new foreign banks in Frankfurt, that group could provide the easiest – if not necessarily the best – source of labour.

Liffe launches two D-Mark contracts

THE LONDON International Financial Futures Exchange (Liffe) announced yesterday the launch of two new D-Mark contracts designed to capitalise on the success of the exchange's existing 10-year German government bond (bund) futures contract, writes Katharine Campbell.

The contracts, a 3-month Euro D-Mark interest rate future, and an option on the bund future, will begin trading on Thursday April 20.

The success of the bund, which yesterday traded 16,820 contracts (an equivalent of DM4.2bn) spurred the exchange to round out its set of D-Mark products.

A need among international treasury managers for a EuroDM product became apparent to Liffe from the results of a survey conducted at the end of last year into the feasibility of an European Currency Unit deposit future.

After the dollar, the D-Mark and the yen jointly boast a similar share of the offshore deposit market – roughly 13 per cent. Total outstandings of EuroDM deposits are estimated at DM500bn.

So the exchange expects the new future to appeal to banks active in the EuroDM deposit market as well as to the interest rate swaps desks of banks and securities houses.

Meanwhile, the rationale behind the bund option is the expanding market in options that has developed between securities houses, away from the exchange.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tuesday February 14 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Feb 13 Index No.	Fri Feb 10 Index No.	Thu Feb 9 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	908.61	+0.8	10.31	3.93	11.89	1.37	901.81	910.71	923.57	724.59
2	Building Materials (28)	1128.55	+0.4	11.27	4.84	10.91	0.33	1123.83	1140.81	1158.71	954.23
3	Contracting, Construction (39)	1658.35	+0.3	12.00	3.71	10.86	1.58	1653.08	1676.10	1696.89	1452.41
4	Electricals (10)	2674.23	+1.5	8.09	4.22	14.90	0.39	2635.75	2670.36	2686.68	2022.35
5	Electronics (30)	2041.87	+0.5	9.18	3.20	14.10	7.63	2031.17	2045.95	2071.86	1461.23
6	Mechanical Engineering (55)	486.69	+1.5	9.79	3.86	12.43	0.53	479.69	483.66	492.40	377.40
8	Metals and Metal Forming (7)	521.04	+0.3	14.73	5.65	7.68	0.00	519.31	521.34	522.39	427.52
9	Motors (17)	311.40	+1.1	10.50	4.24	11.05	0.00	307.86	309.72	315.73	275.72
10	Other Industrial Materials (22)	1523.98	+0.8	9.05	4.13	13.10	3.55	1512.62	1528.45	1563.68	1223.49
21	CONSUMER GROUP (186)	1174.88	+0.6	8.84	3.58	14.17	2.32	1167.64	1182.50	1194.92	1012.65
22	Brewers and Distillers (22)	1275.77	+1.0	9.98	3.49	12.51	0.83	1263.37	1274.53	1292.10	988.34
25	Food Manufacturing (21)	1850.23	+0.5	8.75	3.67	14.37	2.05	1845.11	1861.34	1861.79	826.42
26	Food Retailing (15)	2039.74	+0.6	8.89	3.44	14.80	8.17	2028.81	2052.36	2075.63	1971.59
27	Health and Household (13)	2136.52	+0.8	6.28	2.54	18.25	0.48	2120.43	2132.40	2160.03	1767.10
29	Leisure (33)	1568.69	+0.9	7.56	3.32	16.70	11.11	1554.09	1581.29	1587.52	1184.51
31	Packaging & Paper (17)	591.95	+0.3	9.42	3.87	13.20	0.53	590.17	594.19	603.80	496.99
32	Publishing & Printing (18)	3735.51	-1.1	8.54	4.21	14.66	3.38	3778.44	3799.76	3865.14	3421.03
34	Stores (33)	780.67	+0.9	10.89	4.43	12.08	1.64	773.72	794.52	804.78	799.41
35	Textiles (14)	518.00	+0.4	13.44	5.50	8.91	0.25	516.16	515.05	522.76	553.13
40	OTHER GROUPS (93)	1050.23	+1.1	10.07	4.12	12.13	0.24	1039.09	1047.07	1056.49	865.65
41	Agencies (18)	1206.36	+0.8	8.71	2.63	14.48	2.14	1196.72	1202.80	1223.08	1072.32
42	Chemicals (22)	1209.33	+1.0	10.59	4.36	11.37	0.23	1197.67	1208.50	1226.00	1030.77
43	Conglomerates (12)	1477.64	+0.2	10.47	4.92	11.03	0.00	1474.62	1491.31	1488.59	1153.82
45	Shipping and Transport (12)	2282.08	+1.0	8.71	3.65	15.01	0.00	2259.97	2297.28	2314.81	1801.21
47	Telephone Networks (2)	1115.03	+1.7	10.53	4.21	12.34	0.00	1096.16	1096.69	1104.60	940.87
48	Miscellaneous (27)	1448.78	+1.2	9.79	3.77	11.63	0.62	1431.95	1444.83	1464.74	1165.97
49	INDUSTRIAL GROUP (487)	1089.60	+0.8	9.59	3.83	12.88	1.48	1081.19	1092.59	1104.72	908.32
51	Oil & Gas (13)	1916.38	+0.8	9.61	5.79	13.31	0.00	1900.58	1911.03	1929.96	1754.87
59	500 SHARE INDEX (500)	1160.18	+0.8	9.59	4.09	12.94	1.37	1151.15	1162.57	1175.23	980.89
61	FINANCIAL GROUP (126)	752.95	+0.4	–	4.74	–	0.88	749.86	761.74	767.99	645.54
62	Banks (8)	757.72	+0.4	18.91	5.78	7.09	1.47	754.38	769.15	774.33	644.71
65	Insurance (Life) (8)	1039.79	+0.3	–	5.19	–	0.00	1036.81	1052.52	1065.52	959.16
66	Insurance (Composite) (7)	599.18	+0.9	–	5.22	–	0.00	594.05	603.61	608.17	496.78
67	Insurance (Brokers) (7)	1024.48	-0.5	8.55	6.34	14.62	0.68	1029.60	1051.20	1070.36	889.57
68	Merchant Banks (11)	353.60	+0.7	–	4.24	–	0.03	350.99	353.08	352.45	337.47
69	Property (53)	1300.15	+0.2	5.57	2.59	22.05	0.99	1297.09	1317.46	1330.38	1036.04
70	Other Financial (32)	386.79	+0.5	9.02	5.21	13.03	1.47	384.95	387.70	390.17	379.08
71	Investment Trusts (76)	1064.91	+0.5	–	2.87	–	1.26	1059.26	1072.44	1083.66	850.52
81	Mining Finance (2)	673.03	+1.0	9.08	3.11	12.27	0.00	666.64	679.59	678.48	405.82
91	Overseas Traders (8)	1414.99	—	8.84	4.72	13.13	15.65	1415.07	1439.44	1437.19	1017.67
99	ALL-SHARE INDEX (712)	1060.89	+0.7	–	4.14	–	1.35	1053.37	1065.13	1075.88	898.68
		Index No.	Day's Change	Day's High (a)	Day's Low (b)	Feb 13	Feb 10	Feb 9	Feb 8	Feb 7	Year ago
	FT-SE 100 SHARE INDEX‡	2049.1	+16.4	2053.9	2026.6	2032.7	2056.1	2079.1	2096.2	2072.8	1734.6

FIXED INTEREST

	PRICE INDICES	Tue Feb 14	Day's change %	Mon Feb 13	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	118.94	-0.09	119.05	–	1.85
2	5-15 years	136.95	-0.09	137.07	–	1.73
3	Over 15 years	151.42	+0.06	151.35	–	0.74
4	Irredeemables	176.31	+0.34	175.72	–	0.00
5	All stocks	134.22	-0.07	134.32	–	1.67
	Index-Linked					
6	5 years	131.04	+0.39	130.58	1.36	1.36
7	Over 5 years	131.25	+0.34	130.81	–	0.58
8	All stocks	131.13	+0.34	130.75	0.07	0.60
9	Debentures & Loans	118.46	+0.08	118.40	0.03	1.34
10	Preference	89.59	-0.14	89.71	–	0.48

	AVERAGE GROSS REDEMPTION YIELDS		Tue Feb 14	Mon Feb 13	Year ago (approx.)
	British Government				
1	Low	5 years	8.95	8.92	9.46
2	Coupons	15 years	8.85	8.82	9.42
3		25 years	8.76	8.77	9.30
4	Medium	5 years	10.14	10.08	9.63
5	Coupons	15 years	9.28	9.27	9.62
6		25 years	8.97	8.92	9.48
7	High	5 years	10.27	10.22	9.73
8	Coupons	15 years	9.48	9.48	9.78
9		25 years	9.07	9.09	9.51
10	Irredeemables		8.74	8.75	9.39
	Index-Linked				
11	Inflation rate 5%	5yrs	3.45	3.57	2.45
12	Inflation rate 5%	Over 5 yrs	3.57	3.59	3.88
13	Inflation rate 10%	5yrs	2.65	2.76	1.42
14	Inflation rate 10%	Over 5 yrs	3.41	3.43	3.78
15	Debs &	5 years	11.73	11.73	10.93
16	Loans	15 years	11.23	11.23	10.98
17		25 years	10.72	10.73	10.90
18	Preference		10.84	10.83	10.51

‡Opening index 2026.7; 10 am 2032.4; 11 am 2043.0; Noon 2043.2; 1 pm 2044.6; 2 pm 2047.4; 3 pm 2053.8; 4 pm 2049.1; 4.05 pm 2048.3 (a) 3.01pm (b) 9.20am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p. NAME CHANGE: Berisford (S & W) (25) has become Berisford International.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	28	70	11
Corporations, Dominion and Foreign Bonds	8	3	40
Industrials	568	260	755
Financial and Properties	252	87	331
Oils	24	21	55
Plantations	1	0	11
Mines	33	58	95
Others	58	92	95
Totals	972	591	1,393

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
†	F.P.	-	413	355	CLF Yeoman	413	+5	R0.24½	4.6	2.5	13.4
§45	F.P.	-	58	45	‡Cassidy Brothers 10p	55	+2	b3.08	2.0	7.5	8.8
245	F.P.	25/1	329	243	Compass Group 5p	323	+1	R7.2	2.7	3.0	16.7
§100	F.P.	-	120	108	Europa Minerals 2p	120		bL0	-	1.1	-
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1988/89 High	1988/89 Low	Stock	Closing Price £	+ or -
[illegible]							
§100p	F.P.	-	10ppm	4ppm	Lowe (R.H.) New 8¾pc (Net) Cv Pf 10p	10ppm	
-	F.P.	-	100¼	99⅞	Nationwide Anglia 12⅝pc 29.1.90	99⅞	
§99.1	£25	-	25¼	25	Do. 4.25pc Index-Linked 2024	25¼	
§100p	F.P.	-	100p	88p	Reckware Grp 7¼pc Cv Cm Rd 2nd Pf	98p	
§100p	F.P.	-	100p	80p	‡Thorpac 8p Cv Rd Ptg Pf '01-'05 50p	100p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+ or -
330	Nil	17/3	165pm	67pm	EBF Holdings	140pm	-5
148	Nil	-	38pm	33pm	Expamet International	34pm	
117	Nil	-	27pm	22pm	‡Hughes (H.T.) 10p	22pm	
130	Nil	-	133pm	101pm	NFC Var. Vtg. 5p	126pm	+1½
30	Nil	-	4½pm	3pm	‡Stanco Exhibition Grp. 5p	3½pm	-1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on Prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ¶ Issued in connection with reorganisation merger or takeover. ‖ Allotment price. ‡ Unlisted securities market. ♦ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

- First Dealings Feb 6
- Last Dealings Feb 17
- Last Declarations May 18
- For settlement May 30

For rate indications see end of London Share Service

Calls in Dixons, Wimpey G, Cf Grp, Jebsens, Hanson, Dares Est, Glencar, Apricot, West Trst, Control Secs, Tusker, Amstrad, Beswood, Petrocon, Southend Props, AMI Healthcare, Lon Secs, Noble Lund. Puts in Control Secs, Charles Church.

LONDON TRADED OPTIONS

AMSTRAD, the UK electronics concern which reported first-half results yesterday, took a commanding share of dealings in the traded options market, on the back of market disappointment with the figures. The stock attracted 4,900 contracts, which is more than a third of the 12,816 total number of contracts outstanding at the start of the day. There was opening of interest on the call side of 1,680 contracts to 10,028, and of 748 to 5,216 on the put.

There was active two-way trading seen in the 2,684 call contracts and 2,036 put handled, with the March 160 calls the busiest of all, finding 1,042 contracts. The price of the share on the underlying market lost 2¼p on the day to 158¼p.

The next most actively traded individual stock was Plessey, with transactions in the calls coming to 1,828 contracts, and those in the puts to 1,315, in a total of 3,143. There were market reports of buyers of calls at exercise prices below the going underlying stock price, but also trading in the February 240 puts.

Trading in the FT-SE 100 Index took the average share of the whole market, on recent comparisons, of about 25 per cent, totalling 10,434 contracts, made up of 7,833 call contracts and 2,601 put. There was the striking amount of business of 2,075 contracts in the March 2,000 calls, largely, it appeared, emanating from concentrated sources. Open interest in this series rose, on the early count, by 1,640 contracts to 4,587. The premium on the series showed an appreciable rise over the course of the day. There was also substantial activity in the March 2,200 calls,

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Allied Lyons (*475)	460	31	45	58	7	17	20
	500	11	26	37	29	34	39
Brit. Airways (*198)	160	42	45	51	1½	3	3
	180	24	29	35	3	8	9
	200	11	16	23	10	15	16
Brit Com (*234)	220	24	30	36	2½	10	12
	240	11	17	25	13	20	22
	260	5	10	16	30	34	36
Boots (*262)	240	29	37	44	3½	8	11
	260	14	23	32	10	15	18
	280	8	14	22	23	27	29
[illegible]							

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Ultramar (*292)	294	19	–	–	20	–	–
	300	–	32	41	–	32	36
	330	7	21	28	46	49	52
Woolworth (*274)	260	27	34	38	6½	11	14
	280	16	24	32	15	20	24
	300	9	15	21	32	35	36
Option		Apr.	Aug.	Nov.	Apr.	Aug.	Nov.
GEC (*224)	200	29	39	44	2	7	9
	220	15	26	32	7	14	17
	240	7	16	20	20	25	29
[illegible]							

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Barclays (*464)	420	51	52	63	4	5	10
	460	16	26	37	18	22	28
	500	4	11	17	53	53	53
Blue Circle (*481)	420	68	72	82	2	7	13
	460	32	42	54	8	18	28
	500	10	24	34	28	40	48
British Gas (*178)	160	20½	27	29	1	2¼	4
	180	5½	12½	14	6	8	11
	200	1	4	7	23	23½	24½
Dixons (*162)	160	11	19	24	7½	11	15
	180	5½	11½	16	22	23	27
[illegible]							

Reuters climbs 20% to £215.4m

By David Waller

REUTERS HOLDINGS, the international news and financial information group, increased pre-tax profits by 20 per cent from £178.8m to £215.4m in 1988, a year in which most of its big customers in the financial services industry suffered from the after-effects of the market crash of October 1987.

"I would say that these results are pretty good under the circumstances," said Mr Glen Renfrew, managing director. "Reuters is now a stronger, a fitter company, following last year's rationalisation."

The results, in line with City expectations, prompted a 7p rise in the share price to 598p. Revenue rose by 16 per cent to just over £1bn (£866.9m) and earnings per share by 23 per cent to 32.1p (26p), helped by a lower tax rate and a reduction in the number of shares outstanding.

The final dividend was raised from 5p to 6.2p per share, making a total of 9p for the year, up from 7.3p in 1987.

Mr Renfrew sounded an optimistic note for the current year. The net rise in new orders for core information and dealing products would continue to generate good growth, with heavy cancellations from existing customers being offset by strong growth in subscriptions from entirely new customers.

A number of new products were set to come on stream, including Dealing 2000, an enhancement to Reuters' existing foreign exchange service which facilitates anonymous automated trading.

In response to tighter conditions in post-crash markets, Reuters made 550 employees redundant last year and closed IDR, a US manufacturing subsidiary. The pre-tax figure was struck after absorbing exceptional rationalisation costs of £8m, while £7.3m of costs associated with the closure of IDR were taken below the line as an extraordinary item.

Some 80 per cent of Reuters' revenues are denominated in currencies other than sterling. The effect of this was to clip pre-tax profits by £4m and revenues by £47m.

Last year's figures suffered from a fall in orders from Rich, a subsidiary which sells trading room systems to the financial industry.

A breakdown of turnover by global sector showed Europe with revenues of £568.6m (£495.9m); Asia £237.1m (£186.8m); North America £184.6m (£172.5m); Overseas £35.2m (£23.8m). No breakdown of profits was given.

Mr Renfrew refused to comment on reports that the company's complex capital structure was about to be resolved. The equity capital is divided into 'A' and 'B' shares, with the former, high-voting shares held by a variety of newspaper groups.

See Lex

Hanson advances to £195m in first quarter

By Nikki Tait

HANSON, the diversified conglomerate, yesterday reported first quarter profits up from £169m to £195m.

Turnover in the three months to end-December was £1.93bn (£1.96bn).

Fully diluted earnings per share were up from 3.2p to 3.5p. Undiluted, the increase is from 3.6p to 3.8p.

Hanson does not give any divisional or geographical breakdown at this stage, but the skeletal information which was available fell very much in line with analysts' expectations.

Yesterday, Mr Martin Taylor, deputy chairman, said that the sales comparison was distorted by disposals — the three-month period to end-December 1987 included sales of around £250m from businesses since sold.

At the profit level, however, there is also the benefit of a three-month contribution from Kidde, the diversified US group which Hanson acquired in late-1987, compared with just two months last time. This, suggested Mr Taylor, might have made a difference of perhaps £3m-£4m.

The tax charge runs out at £47m (£39m). Below the line, there is extraordinary income of £165m — largely profits on disposals, including the likes of Kidde Fire Protection. Profit available for appropriation is, therefore, £313m (£130m).

Hanson did not give any balance sheet details. However, at the time of the final results last December, Lord Hanson suggested that the net cash position was already over £1bn, and subsequent disposals will have strengthened this further.

PPL software investors offered £1.88m settlement

By Richard Waters

INVESTORS IN PPL, the computer software company which went into receivership two years ago, were yesterday offered compensation of £1.88m. This represents more than 60 per cent of the £3m losses they suffered in the collapse.

The offer follows a heated legal battle in which professional advisers, investors and directors tried to pin blame on each other for the debacle.

It was not announced yesterday who is to pay the compensation, which was agreed between Deloitte Haskins & Sells, the accountants, and J Henry Schroder Wagg, the merchant bank, among others.

According to one of those involved in the settlement: "listed companies don't go belly up that often. There is some feeling of being in a club in the City, and people are prepared to stump up when shareholders are prejudiced."

The pay-out marks the end of a saga which began early in 1986 when PPL, at the time the leading independent supplier of applications software in Britain, was launched on the stock market amid great optimism.

Schroder acted as sponsor for the share placing, while Deloitte acted as reporting accountant. In its most recent year, PPL had recorded profits of £735,000.

Problems began to emerge shortly afterwards. PPL reported a loss of £274,000 in the first half of the year, and its shares were suspended in November 1986. The company went into receivership less than a year after its flotation.

Schroder, acting on behalf of PPL's two largest investors, Provident Mutual and Legal & General, later launched an action against Deloitte.

It also sued Mr Roy Taylor, who was PPL's chairman, and Picton Taylor Securities, a company through which Mr Taylor and his family owned nearly a third of PPL.

All three defendants - Deloitte, PTL and Mr Taylor - then sued Schroder on the grounds that, as sponsor to the placing, it bore part of the responsibility for the collapse.

To complete the legal wrangling, Mr Taylor and PTS claimed an indemnity from Deloitte.

Behind the scenes bargaining has now brought a deal which was greeted yesterday by Provident Mutual, one of the company's largest shareholders, as "the most we could have hoped for under the circumstances".

The settlement covers 70 per cent of losses from shares bought in the placing or before April 4, 1986. This amounts to 101p a share - substantially more than the 81p suspension price.

Only 50 per cent of losses between April 4 and June 5, 1986, when the interim figures were released, are covered, while there is no compensation for anyone buying shares after June 5.

Provident, for its part, has been left worse off than most of the other 300 shareholders. It will receive just 30 per cent of its investment of £406,000, thanks to a large investment made after the cut-off date of June 5.

None of those involved admitted any liability for the PPL collapse.

Egerton rises 26% despite losses in US

By Vanessa Houlder

EGERTON TRUST, property, minerals and healthcare group, yesterday announced a 26 per cent rise in pre-tax profits from £7.97m to £10.07m for 1988. Turnover was reduced to £110.6m against £114.3m.

The company suffered from the flat housing market in the US where it incurred a £500,000 loss after slow sales of houses in its 'English village' development in Cape Cod.

A planning problem had led to the delay of a property sale in Hertfordshire, which was expected to bring a profit of over £2m. The company was confident that the decision would shortly be reversed.

Maybourne Partnerships, set up last year to undertake joint ventures with Health Authorities, was close to finalising negotiations on three projects, the company said. It plans to develop out-dated NHS buildings and to provide health care for geriatric patients within the NHS.

The breakdown of profits was: property investment and development £1.2m (£1.9m); health care £300,000 (£100,000 loss); house building £3.9m (£2.8m); minerals £3.5m (£3.2m) and construction £1.3m (£200,000).

There was an extraordinary £52,000 charge due to closure costs of the Midlands and Welsh operations of Trentham, the construction arm, offset by a £1.3m profit from investment in its Beaumont Health Care business by Private Patients Plan last November.

Gearing stood at 47 per cent of shareholders' funds. Following a tax charge of 28 per cent, undiluted earnings rose 25 per cent to 24.22p (19.31p). A final dividend of 4.5p makes 6.5p (4.75p) for the year.

● COMMENT

Curate's egg-style, Egerton's performance promises to be good in parts. The chief problem area is likely to remain the US housing ventures, while the UK housebuilding operation is also unlikely to fire on all its cylinders. Elsewhere, however, the US minerals business should improve thanks to benefits from new acquisitions and enhanced controls. An improved performance should also be posted by the construction business, following rationalisation and an improvement in the quality of its contracts. Finally, the smallest but most intriguing area of the group is the embryonic health care operations, which stand to benefit from the shake-up heralded in the recent white paper. All that should add up to profits of at least £13m for the year — assuming the realisation of the £2m property profit that eluded the group last year. Given a 2p rise in the shareprice to 215p yesterday, the shares are on a prospective rating of 8 – fair value.

Marina drops court bid to block Local London

LOCAL LONDON Group, the property company, found its route to take over Marina Development Group opened up again yesterday when MDG dropped its High Court bid to block Local London's £77.7m offer.

At a brief hearing, Mr Justice Morritt discharged undertakings given by Local London and two of its directors, Mr Robert and Mr Graham Bourne, which last Friday replaced an injunction obtained earlier by Marina Development.

Mr Anthony Grabiner, QC for Marina, told the court that in view of material from Local London and the Bourne brothers that the decision to bid for Marina had been taken last November prior to indications that Marina was intending to revalue its assets, Marina thought it "inappropriate" to continue with its application for a temporary injunction.

Marina was ordered to pay the costs of both men and Local London.

The injunction application was due to be heard today.

Last week Local London offered 465 of its own new cumulative convertible preference shares for every 100 ordinaries, valuing each Marina ordinary share at 521p.

Before Marina went to the courts Local London had control of 47.7 per cent of the Marina equity.

But the legal actions have allowed Marina to marshal its defences, including the final preparation of a new property asset valuation.

Local London shares rose 1p to 474p yesterday. Marina was also 1p higher at 525p.

Bear Brand funding plan likely to fail

Sheikh Al-Dahlawi, who owns 5.8 per cent of Bear Brand, has confirmed that he is throwing his support behind the opposition to the company's £5.72m rights issue, which is being spearheaded by Dr Ashraf Marwan, the Egyptian financier.

Unless anyone changes their stance, the fund-raising plans seem destined to fail. Dr Marwan, together with Ifincorp SA and Sheikh Al-Dahlawi, controls 24.5 per cent of the equity and the plans need a 75 per cent majority to be approved.

However, Tranwood Earl, underwriting the issue, claimed Dr Marwan had been trying to find buyers for his interest at 15p a share, which smacked of greenmail. It said that the shareholders' meeting might still go ahead and "the overwhelming majority of proxies" received so far had been in favour. Bear Brand closed up ¾p at 11½p.

Edinburgh Hibernian in £5.6m acquisition

By John Thornhill

EDINBURGH HIBERNIAN, owner of the fifth-placed football club in the Scottish Premier Division, has struck a deal to acquire Avon Inns, a property company based in the south-west of England, for around £5.6m.

The seller is Inoco, the oil company turned property trader, which acquired Avon last November. Avon owns 15 properties including hotels, pubs, wine bars and a DIY shop.

Mr David Duff, Hibernian chairman, yesterday said that this was a very innovative deal for a football club which signalled its intention to develop into a more broadly-based leisure group. Hibernian came to the Third Market last October.

"We are a far-thinking board and we feel that we cannot generate enough income from football alone. We shall use football as a shop front window and develop substantial property assets behind," he said.

The acquisition will be funded through a £7m to £8m placing, although the shares will first be offered to existing shareholders. This will double Hibernian's share capital.

Mr David Hudd, Inoco chairman, said that it was selling Avon to concentrate its management efforts on Gulf Resources and Chemical Corporation, the US exploration, development and production company in which Inoco acquired a 33.9 per cent stake last week.

Mr David Rowland, Inoco deputy chairman, is to become president and chief executive of Gulf and he will be joined on the board by three other Inoco representatives.

Mr Rowland has substantial share holdings in both Inoco and Hibernian and Mr Jeremy James is a director of both companies. The deal has to be approved by both companies' shareholders.

UK COMPANY NEWS

Abstinent with an appetite for alcohol

Vanessa Houlder examines Nazmu Virani's plans for expansion in the brewing trade

MR NAZMU Virani, one of Britain's most acquisitive publicans, does not conform to conventional stereotypes. Far from the convivial tapster of popular myth, Mr Virani is a softly-spoken Ismaili Moslem who never touches a drop of drink.

Yet for Mr Virani, this involves no inconsistency. "There is nothing in my religion which says you cannot make money," he maintains.

This conviction – strikingly illustrated by the number of deals transacted in his local mosque – has transformed the fortunes of Mr Virani since he entered the UK as a refugee from Idi Amin's Uganda 17 years ago.

From humble beginnings running a small supermarket in "Hardship Lane", south London, he now heads Control Securities, a property and leisure group which has a market value of more than £200m.

This rise is built on a penchant for deal-making, recently demonstrated by a flurry of acquisitions in the brewing trade. At the end of the year, he regained control of Belhaven Brewery (which he had chaired between 1984 and 1986) and its 41 pubs. This was followed, earlier this month, by the acquisition of 128 pubs from Grand Metropolitan for £21m and the purchase of 80 pubs from Brent Walker for £16m.

These deals appear to involve an element of risk – preceding, as they do, the Monopolies and Mergers Commission's imminent report into the tied house system.

In the view of County NatWest, for example, it is possible that brewers may be restricted to owning as few as 500 pubs. That would be bad news for Control Securities, which combines a brewery with a total of 544 pubs and furthermore has ambitions to expand to 1,000 pubs by the end of the year.

However, the suggestion that this is a gamble is starkly at odds with Mr Virani's business style. This is grounded in a "safety first" belief in the security of assets which underpins all his interests in leisure. The pubs, he says, provide "two bites of the cherry" – capital appreciation as well as trading profits.

He is firmly convinced that he will be a net beneficiary of any shake-up in the brewing trade. After all, he says, he already sells four different brews at his pubs in addition to Belhaven bitter and lager.

Furthermore, he expects to benefit if brewers are forced to sell rival brews in their pubs. "They would rather have a Belhaven beer than that of a major competitor," he says.

There are, however, sceptics. One such is Ms Michelle Proud of County NatWest who concedes that there will opportunities for some regional brewers to push their ales into pubs, but doubts whether Belhaven will benefit.

"It will succeed only if it is backed by an aggressive marketing and sales strategy. They do not have a lot of experience in building branded products," she says.

But Mr Virani, who describes Belhaven as the Rolls-Royce of beers, shrugs off the notion that heavy advertising is necessary. Furthermore, he is deterred by the "tremendous" amount of money spent on advertising by the major players.

Nazmu Virani: pubs provide "two bites of the cherry".

Instead, his strategy is, firstly, to attract customers by selling a wide range of products in a pleasantly appointed pub. Then – if customers are vague about the brand they want – he aims to sell the Belhaven product, by offering bar staff incentives such as free holidays.

By this means, Mr Virani believes he can increase the sales of Belhaven beer four-fold to its maximum capacity of 100,000 barrels by the end of the year. Every 10,000 barrels brewed add an extra £500,000 to the bottom line, he says.

That, on the face of it, appears a singularly ambitious target. His plans, however, are given a degree of credibility by past successes in the pub industry.

His interest dates back to his first involvement in Belhaven in 1984 when it was losing money and selling a small fraction of its total output. By offering generous guarantees, Mr Virani persuaded the bank to finance 200 new tied outlets – a move that increased sales of Belhaven beer from 3,000 barrels to 30,000 in the course of the year.

The transformation in the business was reflected in the increase in share price from 18p in 1984 to 85p – the price at which he sold out of the business in 1986. It was not long before he took his new vehicle, Control Securities, back into the pub business. The same year, he bought 68 pubs from Allied-Lyons. The pubs were not an attractive prospect. They were run down, loosely managed and losing £750,000 a year.

Mr Virani's first move was to change the terms of the managers' contracts from fixed salaries to fixed rents, combined with agreed targets for beer sales (made through Control Securities). Targets were coupled with penalties if managers failed to meet forecasts and discounts if they exceeded them.

At the same time, premises were revamped, food was improved, hours were lengthened and discos, bands and snooker tables were installed. "In the past, pubs used to be a place for the old folks to get together and booze," says Mr Virani. "We are trying to make them a social centre for the young executives to get together with their families." Two and a half years later, the same pubs make annual profits of £1.2m, a return on capital of 20 per cent.

Can a similar trick can be performed on the pubs recently acquired from GrandMet and Brent Walker? Mr Virani's confidence in his abilities is unflappable.

However, news of the latest acquisitions have been somewhat overshadowed by Mountleigh Group's decision last Friday to increase its stake to 22.7 per cent. With the shares at a discount to likely break-up value, it remains to be seen whether Mr Virani will be able to complete his plans.

Tyzack £42m buy-out backed

By Ray Bashford

MEMBERS OF Tyzack management have won other directors' recommendation for a buy-out offer which values the Sheffield-based engineering company at £42m.

Tyzack's independent directors of the company have recommended acceptance of the 210p cash offer announced earlier this month from two members of the main board and the general manager of a division.

Mr Bill Eastwood, Tyzack chairman and one of the independent directors, said he did not consider the 210p cash bid "generous" but added that it was the only "serious" approach which had been received.

The buy-out team, operating through a company called GSM, has received irrevocable undertakings representing 19.5 per cent of the capital.

The undertakings have been received from other directors, Quail Investment, a Bahamas-registered company, and investor shareholders in a French company which was acquired by Tyzack on a cash-and-share basis last December.

Quail was a backer for the successful move in June 1987 to restructure the management and win control of Tyzack and has accepted for its 10 per cent stake.

Mr Ewan Quayle Launder, a director of Tyzack who is not a member of the buy-out team, is also a director of Quail. Another director of Quail declined yesterday to disclose the identity of the Bahamas company's beneficial shareholders, and Mr Eastwood said he did not know who they were.

Approval for a further 8 per cent has been received from investor shareholders in Eurofiltec, a French filter manufacturer and distributor, which was acquired last December for a consideration of 1.65m shares and £6.9m in cash.

The 210p which the investor shareholders in Eurofiltec will receive for their 1.65m shares compares with a value of 118p placed on the shares last December when the deal was concluded. The remaining 1.5 per cent is controlled by Tyzack directors.

APV sales eliminate gearing

By David Waller

APV, the manufacturer of brewing, dairy and other food processing equipment, is selling its printing machinery business – known as PMC – to Rockwell for £85.3m.

In a separate deal, the company has sold a former factory site in Crawley for £28.8m. Total proceeds will amount to £114.1m, enough to eliminate APV's gearing, which stood at 70 per cent at the end of 1988.

PMC designs, manufactures and sells high speed, web-offset printing presses. The disposal was widely expected and Sir Ronald McIntosh, chairman of APV, said the proceeds would help in the avowed strategy of buying more companies in the food and beverage equipment sector.

"A printing business such as PMC will clearly be better in the hands of a world player in that industry such as Rockwell," the chairman said. "From our point of view, the sale transforms our balance sheet and leaves us in a position to make acquisitions. We have a number of quite substantial ones lined up."

According to some analysts, net cash could amount to as much as £25-£30m when the sale to Rockwell is completed at the end of April. Moreover, forecasts for pre-tax profits in the current year have been lifted by £2m to around £60m.

PMC, part of Baker Perkins until that company was acquired by APV in 1987, made a profit before interest and tax of £8.4m in 1988 on turnover of £66.7m. At the end of December, the book value of net assets was £10.2m.

The sale of the 28 acre Crawley site, where APV's factory for plate heat exchangers used to be located, was completed on February 1. This was the final stage of a process of rationalisation at the site which began more than a year ago with the sale of the on-site foundry. The net book value of the land and buildings at the end of last year was £6.2m.

The disposals had been widely trailed and APV's shares fell 2½p to close at 151p.

French Connection share price hit by warning

By Alice Rawsthorn

FRENCH CONNECTION, the USM-quoted fashion group, saw its shares slide by 12p to 88p yesterday on the announcement that it is likely to report a loss for its last financial year to January 31.

In October the group announced a fall in pre-tax profits from £2.5m to £1m for the six months to July 31 due to tough trading conditions in Europe and the US. Mr Stephen Marks, chairman and chief executive, warned at the time that trading in the second half would be difficult.

French Connection said yesterday that it had incurred "significant losses" at its contract manufacturing operation in the UK and at its businesses in France and West Germany. Moreover profits from the US should be "substantially lower" than in the previous year.

The core business remained profitable, but its contribution is not expected to be sufficient to offset the shortfall from other areas. The group anticipated a "small loss" for the full year, but the final dividend will be held at 3.5p.

French Connection has taken "strong action" to tackle the problems of its poorly performing businesses. The board expects a return to profitability in the present financial year.

The group, which also operates Best Of All Clothing in the US and the Nicole Farhi designer clothing company in the UK, has had a chequered career since going public five years ago. French Connection fared well – with pre-tax profits of £5m on sales of £59m in its 1987/88 financial year – but produced erratic profits in previous years.

Geest £16.5m division sale

By Clay Harris

Geest, the fresh produce and food preparation group, is selling its contract distribution division to a management-led company in a deal worth £16.5m.

The purchaser will pay Geest £9m, including £3.5m in loan notes, and assume debts of £7.5m.

The business has contracts with leading food retailers.

Three senior managers together will own 30 per cent of GCD, the new company, with the rest held by institutional investors led by Citicorp Venture Capital.

Geest has been granted a warrant to subscribe at a nominal price for 10 per cent of GCD's shares at flotation or sale.

It made pre-tax profits of £170,000 in the 11 months to November 26, when the book value of the assets being sold was £6.7m. In the last five months of that period, audited pre-tax profits were £791,000.

Abingworth curbs investment

By Nikki Tait

ABINGWORTH, the high technology venture capital group, said yesterday that it did not plan to make any new investments after June 1989, unless it was confident that they can be realised by 1991.

This is when shareholders can vote to wind up the company. "The market price of Abingworth's shares currently stands at a significant discount to net asset value and your board considers that it must proceed in the expectation that the resolution will be passed," comments Abingworth.

Accordingly, the company plans to direct its efforts to achieving liquidity by flotation or sale wherever possible. Realising that there may be a residual portfolio which would be difficult to sell, the board adds that it "will use its best efforts to see that in addition to the distribution in liquidation of the substantial majority of the company's assets in 1991, at or close to full asset value, shareholders will be in a position to receive value for the balance, either in cash or in a marketable security."

Yesterday, Abingworth announced that net asset value at end-December was 314p a share, compared with 313p a year earlier and 336p at end-June 1988. It says that the "generally favourable trend in financial markets was not fully reflected in the technology sector." During the period, three new investments, totalling around $1m, were made and further support of $1.6m given to 10 companies in the portfolio.

Pre-tax profit in the six months was £166,000 compared with £73,000. Mr George Dennis, formerly with Postel and now managing director of TSB Investment Management is becoming a non-executive director, as is Mr David Allsopp, chairman of McKinley Allsopp.

Shares in Abingworth gained 2p to 273p.

New terms for Courtney Pope buy

Courtney Pope, the shop-fitting, engineering and electrical group, yesterday spelt out the revised terms – part of which involve a deferred payment structure – on which it plans to acquire the privately-owned Quickwood company, writes Nikki Tait.

It also postponed the meeting to consider the acquisition until February 28.

The principle changes involve putting an £8m "cap" on the maximum amount which can be paid under deferred, profit-related structure.

That consideration will also be based on the three financial periods to end-May 1992, rather than four periods to 1993.

A clause which allowed Quickwood's vendors to be paid £10m, minus whatever sums had been handed over if de facto control of Courtney Pope changed, has also been deleted. Moreover, the vendors will no longer be restricted in the disposal of shares in the event that control of Courtney Pope changes.

The new Quickwood board will consist of equal representation from Courtney Pope and Quickwood.

The revisions have been made in response to some institutional disquiet over the original terms.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amstrad	int	0.4	Apr 14	0.4	-	1.4
Automagic §	int	2.25	-	2.25	-	6.5
Cranbrook Elec §	fin	0.75	Apr 4	0.5	1.25	0.5
Egerton Trust	fin	4.5	Apr 6	3.5	6.5	4.75
Eleco	int	2.2†	May 5	1.76*	-	4.96*
Leslie Wise	fin	1.75†	Apr 6	1.5	3	2
Reuters	fin	6.2	-	5	9	7.3
Riva Group §	int	1	Apr 6	-	-	-
Sinclair Gold.	int	1.5	Apr 28	0.9	-	3
Transrap §	int	1	Mar 23	-	-	0.5
Trust of Prop	fin	0.933	Apr 8	0.667	0.933	0.667

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

Parkfield disposal

Parkfield Group, the industrial holding company, has sold a 14.8 per cent stake in Hicking Pentecost.

This represents the bulk of the shares in the Nottingham-based knitwear manufacturer and dyer it acquired earlier this month.

Parkfield does not know the identity of the purchaser.

Gardiner approaches Bridgend

By Philip Coggan

GARDINER GROUP has made a merger approach to fellow security products distributor Bridgend just six months after spurning the latter's merger offer.

Last summer Bridgend had talks lasting around a month with Gardiner and was thought to have tabled a provisional offer. However, Gardiner opted instead for a deal in which security groups Automated Security (Holdings) and Scantronic Holdings each took 20 per cent stakes.

Gardiner said its announcement followed discussions with the Takeover Panel arising from a sudden increase in Bridgend's share price, which rose 7p to 55p on Monday. "We bitterly regret that we were forced to make the announcement. In an ideal world, we would have had friendly discussions with the other side" said Mr Michael Hargreaves of Charterhouse Bank, Gardiner's adviser.

The Stock Exchange's surveillance department is looking into the rise in Bridgend's share price.

Bridgend's shares rose a further 7p in early trading yesterday before falling back to 57p. Gardiner's shares rose 3p to 51p.

Mr Yashar Turgut, Gardiner's managing director, said that the company now saw commercial logic in a merger with Bridgend. He said that the entire board, including chairman Mr Tom Buffett, who is also chairman of Automated Security and Scantronic, backed the merger proposal. Gardiner are understood not to have acquired any Bridgend shares.

Mr Neil List, Bridgend's chairman, is on a skiing holiday and is not expected to return until Monday. Bridgend's broker and financial adviser, Phillips & Drew, said that any response to the Gardiner move would await Mr List's return.

In the year ended October 31 1988 Gardiner made pre-tax profits of £1.89m whereas Bridgend made profits of £310,000 in 1987. On the basis of last night's share prices, Gardiner was capitalised at £20.4m and Bridgend at £8.2m.

UK COMPANY NEWS

Reliant gears up for drive into property development

By Nikki Tait

SHARES IN Reliant Motor, the fibre-glass car and car components manufacturer, were suspended at 41p yesterday as the company unveiled plans to acquire two substantially larger housebuilding and property development businesses.

The companies in question are Wiseoak, which operates mainly in Kent, and the smaller Belmont company, also involved in residential property development in Kent and the outer London boroughs. Wiseoak and Belmont share some common directors and major shareholders.

Reliant is proposing to pay £16.5m for the two businesses via the issue to the vendors of 41.25m new shares at an effective price of 40p. This compares with the 8.86m Reliant Motor shares currently in issue.

In addition, Reliant plans to issue further shares for cash, with an open offer for existing shareholders. Yesterday, Reliant was unable to say to what extent the Wiseoak/Belmont vendors' stake might be diluted. Final details, it said, had yet to be decided.

Reliant shareholders, however, may find that the Wiseoak name rings a few bells. It is the same business which featured in angry circulars at Nash Industries last summer.

Nash first acquired a 30 per cent interest in Wiseoak in mid-1987 for a staggered £1.75m. A year later, when the engineering company proposed to buy two small packaging companies from Meyer International, Mr John Nash – a non-executive director and holder of 30 per cent of Nash's shares – put forward an alternative strategy which involved Nash in making a paper offer for the remaining 70 per cent of Wiseoak.

After a certain amount of sound and fury his plan was defeated and in September Nash Industries' 30 per cent interest in Wiseoak was sold back to other Wiseoak shareholders for £2.9m.

Yesterday, Reliant – where Mr Nash is chairman and holds a controlling 51 per cent interest – conceded that the price now being offered looked fairly generous compared with last September's sale terms, although advisers at brokers Murray & Co said that the pricing was based on a historic profits multiple.

Wiseoak itself made a £1.98m profit before tax in the year to end-September, on sales of £10.5m, and had net assets of £2.73m. Belmont made £175,000 in the 12 months to end-August, with sales of £2.5m and net asset value of £233,000.

Reliant added that it felt that was a good way of broadening the company's base. It said it would be looking for further acquistions taking the group into the general industrial area, but had no plans to dispose of the motor bus iness.

The Wiseoak/Belmont deal requires approval at a shareholders' meeting. However, yesterday Murray & Co said that it was likely that approval would involve ordinary resolutions and, therefore, a straight majority. Reliant conceded that the deal would therefore be a "fait accompli".

Poundstretcher deal finalised

By Maggie Urry

BROWN & JACKSON, the retail, building and burglar alarm group, has finalised the financial details of its purchase of Poundstretcher, the discount retail chain, from Lowndes Queensway, the furniture and carpet retailer headed by Mr Jimmy Gulliver. At the same time Brown & Jackson announced a sharp rise in profits in 1988.

The deal values Poundstretcher at £72.2m, of which £6.5m in cash will go to the holders of a 5 per cent stake, including Mr Stephen Fearnley. Mr Fearnley and his management team, who set up Poundstretcher, are expected to stay with the new owners and will receive incentive payments if profits rise to a certain level in four years.

Lowndes will receive £54m in cash, £5.2m in Brown & Jackson shares – giving it just over 20 per cent of the group and allowing Lowndes to treat Brown & Jackson as an associate – and £7m in participating preference shares in Poundstretcher, which are exchangeable into Brown & Jackson shares or convertible into Poundstretcher equity.

Mr Bryan Portman, finance director of Lowndes, said that although the sale price was not the £70m originally hoped for, the deal was the best offer available in terms of cash and gave Lowndes a stake in a fast-growing company.

He said the sale of Hamleys, the famous London toy shop, was expected to be completed by the end of March, and after a small sale and leaseback programme, Lowndes debt should be down to £140m, of which only £20m was at floating interest rates.

Brown & Jackson is borrowing £39m to help finance the deal, and as well as the paper issued to Lowndes, is placing 10m shares at 40p each and 10m convertible preference shares at 110p each. It is also offering existing shareholders 5.4m shares plus 5.4m convertible preference shares. The proceeds from the placing and offer will be £23.1m.

The group reported an increase in pre-tax profits from £677,000 to £1.9m for 1988, on sales 82 per cent up at £30.4m. Mr Bryan Duffy, chairman, said all areas were performing well, especially the security alarm business bought early last year.

He said Brown & Jackson was buying Poundstretcher on an p/e of about 9. It made a profit of £9.2m in the 11 months to December 25 and has total assets of £34.6m.

Brown & Jackson shares were suspended at 39p when the deal was announced in early December and trading will resume a few days after a special meeting of shareholders necessary to approve the deal. Lowndes shares closed unchanged at 149p.

Cargo boost as Mersey Docks rises to £5.89m

By Graham Deller

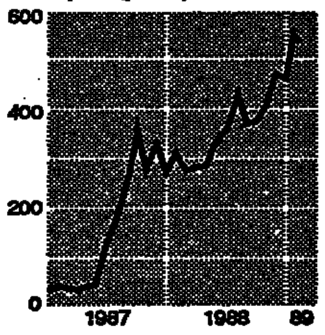
SUBSTANTIALLY increased cargo volumes at the Port of Liverpool helped The Mersey Docks and Harbour Company to report taxable profits for 1988 some 57 per cent higher at £5.89m.

Mr Bill Slater, chairman, said that the year had seen significant advances in crude oil, bulk liquids and timber. Useful increases had also been achieved in container volumes.

He said that "substantial progress" had been made in negotiations with the Government over financial and corporate reconstruction. "It is anticipated that agreement will be reached and an announcement made to shareholders in April," he added. A decision on a capital repayment for the year has been deferred until then.

Turnover grew just 2 per cent to £55.16m (£53.94m). Profits at the operating level expanded 33 per cent to £6.7m (£5.03m), while earnings per share rose from 18.8p to 29.3p. Net interest charges declined to £895,000, against £1.28m in 1987.

Mersey Docks
Share price (pence)



"Sound management and continuing cost control disciplines have combined with effective targeting in the marketplace to produce a solid trading performance," Mr Slater said.

The group's expanding property development interests did not make any contribution to the results. Work was progressing on the Woodside Business Park at Birkenhead, a joint venture with Mowlem Property Developments. The joint venture scheme with Barratt Developments for the regeneration of the redundant Waterloo Dock via the construction of a waterside residential village had been agreed and was moving ahead.

Referring to the Princes Dock area, Mr Slater said the redevelopment plans were awaiting approval from the Merseyside Development Corporation, appointed as the planning authority by the Government.

Proposals for an in-river berth to enable the Port of Liverpool to attract additional Irish Sea ferry traffic were conditional on financial support from Brussels, he stated. The EC is expected to consider the plan this spring.

Associated companies – all involved in stevedoring – contributed £80,000 to the group's pre-tax balance. Mr Slater said that although this could only be described as modest, they were making a significant contribution to the port's mainstream earnings from rates and dues.

EIT pref placing

Some £15m is to be raised by English and International Trust through a placing of £1 preference shares.

The company said it would increase total assets to nearly £95m with prior charge capital being over £27m.

The placing price is 100.623p per share, and the coupon rate is 8.875 per cent.

Dealings are expected to start on March 8.

Brierley puts his stamp on Stanley Gibbons

By Clare Pearson

PHILATELY will get you nowhere, according to the old joke. But in the case of Sir Ron Brierley, New Zealand entrepreneur, it has opened the way to a near-30 per cent stake in Stanley Gibbons, the unquoted stamp dealer.

Sir Ron, it emerged yesterday, has been a keen collector for many years and hence familiar with Stanley Gibbons, one of the best-known names in international philately.

This has led him to pay about £1.8m for a 29.85 per cent stake taken through IEP Securities, part of Brierley Investment Group.

Two representatives of IEP are joining the board but there is no current intention of making a takeover bid for the stamp dealer.

Gibbons also yesterday announced pre-tax profits doubled to £178,000 in the six months to end-December.

The stake comprised 3.9m shares, bought at around 47p each, and came from Mr Ted Proud, whose stamps-on-covers business was bought by Gibbons last year. Gibbons shares are traded under the Stock Exchange matched bargain rules.

Gibbons, which has just completed a promotion in conjunction with the Sunday Times newspaper, has benefitted from an upsurge in interest in stamp-collecting after its fall from favour earlier this decade.

Mr Stephen Quinn, chief executive of Gibbons, said a Stock Exchange flotation was still his ultimate objective, but there were no current plans to revive the attempt to join the USM that had to be scrapped at the last minute in 1984.

The Stock Exchange refused permission to join after allegations about the business background of the then-chairman, Mr Clive Feigenbaum.

Riva up 40% to £0.58m

RIVA GROUP, the supplier of electronic point of sale equipment and related software to the retail and hospitality trades, reported pre-tax profits of £580,000 in its seasonally unfavourable first half to end-December.

The group, which joined the USM last October, achieved the profits advance – a rise of 40 per cent on the comparable period in 1987 – on turnover 43 per cent ahead at £5.89m (£4.12m).

Mr Tom Milne, chairman, said the group had a strong order book for the second half. Riva products in the bar and hospitality sector continued to be successful, he said, and the range had been extended following the acquisition in January of Infocare.

An interim dividend of 1p is payable from earnings of 3.4p (2.8p) per 10p share.

Eleco £6m purchase and half time surge

By Clay Harris

ELECO HOLDINGS, the building products and property development group, is to buy the UK operations of Gang-Nail Systems, a US-based designer and supplier of systems used in the fabrication of roof trusses, for £5.89m in cash and shares.

Eleco yesterday also reported a 72 per cent increase in pre-tax profits to £2.83m for the six months to December 31, against £1.65m. It warned, however, that the result was not indicative of full-year prospects because of the timing of property profits.

Gang-Nail is being sold by MiTek Industries, which is 49 per cent owned by Bowater Industries. MiTek bought Gang-Nail's worldwide operations from Redland for £21.8m in 1987. In July last year, however, the Monopolies and Mergers Commission ordered the divestment of the UK subsidiary because MiTek also owns Hydro-Air International, Gang-Nail's main competitor.

MiTek is retaining Gang-Nail's operations in the rest of the world. Eleco and MiTek have undertaken to limit their respective operations in various European Community countries, including the UK, for periods ranging from two to five years.

The deal has the approval of the Office of Fair Trading, although formal clearance is awaited from Brussels.

The Gang-Nail businesses being bought by Eleco made pre-tax profits of £1.2m on turnover of £5.08m in 1988. At the year-end it had net tangible assets of £1.04m. In the roofing sector, Eleco already owns Stramit Industries and Ecometal, manufacturers respectively of metal and non-combustible roofing systems, as well as two contractors.

Eleco's interim pre-tax profit advance was achieved on turnover ahead by 53 per cent to £27.3m (£17.8m). Earnings per share rose by 64 per cent to 6.9p (4.2p). The interim dividend is 2.2p and the shares to be issued for the acquisition will rank for payment; last year's comparative figure was 1.76p after adjustment for a one-for-four scrip issue.

To buy Gang-Nail, Eleco is paying £1.58m in cash and issuing some 2.42m shares. The shares will be conditionally placed at 178p, against yesterday's market price of 191p. Under an open offer to shareholders, the maximum allocation is one-for-11.

Eleco last week paid £2.9m for Sharp Transport, a distribution company.

Transrap rises 8% and confident for second half

By John Thornhill

TRANSRAP HOLDINGS, the Derby-based manufacturer of flexible plastic packaging, increased pre-tax profits to £323,000 in the six months to September 30, up 8 per cent on the £300,000 achieved in the corresponding period.

Turnover rose 24 per cent from £2.47m to £3.07m. Earnings per share were unchanged at 2.13p.

The company, which came to the Unlisted Securities Market last March, declared an interim dividend of 1p.

Mr Chris Charlton, chairman, said yesterday that he was reasonably satisfied with the results, but felt they did not yet reflect the recent changes to the business. The full benefits of the investment programme and the strengthening of management had not been realised, but should feed through in the second half.

In November, Transrap acquired two cellulose film product manufacturers: Southend-based B. Norman for a maximum consideration of £950,000 and north London-based I. M. Knights for £160,000.

The demand for Transrap's products remained high, Mr Charlton said, and the company was increasing capital investment to expand its extruding, wicketing and bag-making capacity.

The company is also planning to expand its merchandising interests through its subsidiary, N. Y. Packaging, where it sees good prospects for growth.

Mr Charlton said the company was continuing to look for acquisitions to broaden its existing markets and was exploring the possibility of setting up in continental Europe.

Substantial growth at Leslie Wise

In the first year of the merged Leslie Wise and Ladies Pride businesses, and taking in three months contribution from Jeamland Holdings, the Leslie Wise Group achieved substantial progress.

For the 12 months ended November 30 1988, turnover moved up from £20.22m to £27.69m and pre-tax profit from £2.1m to £3.19m. Leslie Wise division was included for 14 months.

The previous year's profit was struck after exceptional charges of £225,000.

With earnings rising from 4.94p to 7.27p, the total dividend is lifted 50 per cent to 3p, with a final of 1.75p.

The group is involved in the conversion and merchanting of textiles, design of ladies' blouses and separates, and the manufacture of ladies' outerwear.

Mr Leslie Wise, chairman, said the current year had started well with no evidence of reduced demand. Trading in all divisions was in line with budgets.

Jeamland had performed as expected and the chairman looked forward to continued progress.

Cranbrook doubled to £420,000

Doubled profits were made in the year ended September 30 1988 by Cranbrook Electronic Holdings, USM-quoted distributor of high technology electronic components and subsystems.

On a turnover ahead 13 per cent to £9.83m (£8.66m), the pre-tax profit advanced to £420,000 (£209,000).

Earnings were up to 3.51p (2.14p) and a final dividend of 0.75p gives a year's total of 1.25p (0.5p).

Mr Tony Diamond, chairman, said further progress was impeded by certain supplier shortages which reflected worldwide market conditions.

The group closed with a strong order book which was a significant improvement over last year.

He expressed confidence that the performance would be built on in the current year. The recently acquired MCP Electronics would make a sizeable contribution to growth and profitability over the next few years.

The balance sheet had strengthened considerably, largely resulting from the purchase and subsequent sale of shares in Bosmmark and the disposal of GGT Business Systems.

Chamberlain to discuss merger

By Philip Coggan

An agreed deal appears likely between Chamberlain Phipps, the shoe components and chemicals company, and Evode, the plastics and chemicals group, after Chamberlain Phipps directors yesterday agreed to talks.

No formal announcement was made by either company yesterday, but talks are underway between the two chairmen and merchant banks, Barings (for Chamberlain) and Morgan Grenfell (for Evode).

Evode launched a £70m all-share offer last week following a sudden jump in Chamberlain's share price, which is being investigated by the Stock Exchange.

Evode said it had held discussions with Mr David Chamberlain, Chamberlain Phipps' chairman, over some weeks.

The offer is a one-for-one share swap, with a partial preference share alternative. Evode's shares rose 3p to 189p yesterday, while Chamberlain's were unchanged at 198p.

Automagic ahead

Profits of Automagic Holdings, USM-quoted shoe repairer and key cutter, rose from a depressed £102,000 to £173,000 pre-tax for the 24 weeks ended October 15 1988.

Turnover edged ahead from £4.47m to £4.73m. Sales on the shoe repair side had failed to reach expected levels but the key cutting, engraving and trophy activities had continued to show excellent growth.

The interim dividend is a same-again 2.25p per 10p share.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends.

TODAY

Interims– Chelsea Man, Hamburger Brooks, Jos. News International.

Finals– Arnolfo, BWD, Copenhagen Handelsbank, General Consolidated Inv, Independent Newspapers, Lawson Mardon, Trencherwood.

FUTURE DATES

Interims–	
Ewart	Feb. 21
IRCO	Feb. 17
Finals–	
Abbey Life	Feb. 23
De Beers Cons Mines	Mar. 7
Mcalpine (Alfred)	Feb. 28
Metalrax	Mar. 20
Polydisk	Feb. 28
Stat-Plus	Feb. 29
United Newspapers	Mar. 30
WPP	Mar. 2

COMMODITIES AND AGRICULTURE

Kuala Lumpur tin price hits 3-year high

By Wong Sulong in Kuala Lumpur

TIN PRICES on the Kuala Lumpur market yesterday hit a three-year high, breaking through the psychologically important barrier of 21 ringgit (£4.40) a kilogram.

The metal finished with a 17 cent rise at 21.13 ringgit a tonne.

Traders said there was panic buying – reflected in early bids for 320 tonnes – but they added that most miners had exhausted their supplies because of the long Chinese New Year holiday.

Some miners were also reported to be holding back stocks in anticipation of better prices, as speculators, caught by the sudden sharp rise in prices, tried to cover their positions.

Since the start of the year Kuala Lumpur tin prices have risen by more than 1.2 ringgit a kilogram.

Traders have attributed the strength of the market to the continuing impact of export controls imposed by members of the Association of Tin Producing Countries, strong demand from European and Japanese consumers and the weakness of the Malaysian ringgit against leading world currencies.

The seven member nations of the ATPC met in Kuala Lumpur last month and agreed to a total export quota of 106,400 tonnes for the coming year, starting in March, aimed at cutting the tin overhang by another 8,000 tonnes to 30,000 tonnes.

In spite of yesterday's sharp rise, the Kuala Lumpur Tin Market premium narrowed to £20 a tonne compared with the European spot tin prices, because of the weakness of the ringgit against sterling.

Meanwhile, Malaysia Mining Corporation, the world's biggest tin mining group, estimated that its pre-tax profit for the year ended last month will be 70m ringgit, compared with 52m ringgit in the previous year.

The profit estimate was contained in a circular seeking shareholders' approval for the corporation to bid for Tronoh Mines Malaysia Berhad.

MMC, which holds 10.8m shares, or 30 per cent, of Tronoh, is offering to exchange 2.75 new MMC shares for every Tronoh share.

Norway lifts aluminium production

By Kenneth Gooding, Mining Correspondent

NORWAY HAS overtaken West Germany as the dominant producer of primary aluminium in western European as part of a shift of world capacity to regions with cheap power, Shearson Lehman Hutton, the securities group, points out in its latest review of the industry.

Shearson estimates that Norway's primary aluminium output last year exceeded 800,000 tonnes for the first time as the full effects of the increase in annual capacity at Hydro Aluminium's Karmoy smelter from 165,000 to 220,000 tonnes were felt.

Hydro was established recently by the merger of ASV and the aluminium division of Norsk Hydro and became western Europe's largest producer, with a capacity of about 600,000 tonnes a year.

Further expansion in the early 1990s – at the Ardal smelter – will lift the company's capacity to about 620,000 tonnes.

Norway's total annual primary aluminium capacity at the end of last year was 861,000 tonnes and by the end of 1990 should be close to 900,000 tonnes, according to Shearson.

Non-communist world supply/demand (primary aluminium – '000 tonnes)

	1990f	1989f	1988e	1987	1986
Production	14,485	14,307	13,837	12,901	12,192
Consumption	14,650	14,400	14,145	13,637	12,777
Net imports from communist countries	220	230	400	303	165
Implied surplus *(deficit)*	55	137	92	(433)	(420)
Terminal market and producer stocks *at end of period*	1,760	1,705	1,568	1,476	1,972

e = estimated, f = forecast. Source: Shearson Lehman Hutton

Meanwhile, closures have taken West Germany's capacity down to 845,000 tonnes and further reductions are in prospect, in particular VAW's Lunen smelter may be closed.

Shearson points out that in the developed non-Communist world, Canada and Australia have also benefitted from the shift in aluminium production to areas with cheap power.

In the non-mature economies the combined output of Brazil, Venezuela and three Arab countries, Bahrain, Dubai and Egypt, has increased by 111 per cent during the 1980s.

In its overview of the past year Shearson suggests that total primary aluminium production increased by 7.3 per cent from the 1987 level to 13.837m tonnes.

Consumption grew by 3.7 per cent to a record 14.145m tonnes. Shearson predicts demand will increase by a further 1.8 per cent this year to 14.4m tonnes and then rise to 14.65m tonnes in 1990.

The industry is operating at about 97 per cent of capacity and this will restrain the increase in primary production to 3.4 per cent this year, a total of 14.3m tonnes. Next year output could be 14.485m tonnes.

When secondary supplies are taken into consideration there should be a small surplus of supply both this year and next. But this will be used to build stocks from the current low levels – at the end of last year they were equivalent to only six weeks consumption.

Shearson says this should limit any fall in the London Metal Exchange cash price for high grade aluminium in 1989 to about $1,870 a tonne or 85 cents a lb.

"For the year as a whole we believe that prices will average about $2,150 a tonne or 97.5 cents a lb which is some $440 a tonne or 20 cents a lb below the 1988 average," the review suggests.

The "best estimate" for next year is an LME cash price averaging $1,875 a tonne or 85 cents a lb.

Annual Review of the World Aluminium Industry: 1989. Price £150 or $300. From Shearson Lehman Hutton, 1 Broadgate, London EC2M 7HA.

Venezuela to increase exports as industry expands

By Joseph Mann in Caracas

THE VENEZUELAN Government, which controls the country's aluminium industry, plans to increase both production and exports of primary aluminium this year.

Venezuela's two principal aluminium smelters – Venalum and Alcasa – produced 450,810 tonnes of primary aluminium last year, and exported 269,753 tonnes. Most of these exports, made up of ingots and cylinders, were shipped to a group of Japanese industrial companies that have a minority holding in Venalum, Venezuela's largest smelter.

Venalum plans to raise primary aluminium production to 402,489 tonnes in 1989 (322,210 tonnes in 1988) and expects exports to reach 257,658 tonnes (219,753 tonnes in 1988).

Alcasa is a joint venture between the Venezuelan Government and Reynolds Metals, the US-based aluminium group.

Interalumina, Venezuela's only alumina (aluminium oxide) processing plant, produced some 1.3m tonnes of alumina in 1988 and exported about 25 per cent of its production.

Venezuela is expanding its aluminium industry on all fronts. It is increasing production capacity for bauxite and alumina, and expects to have smelting capacity of 2m tonnes per year by the end of the 1990s.

● Indonesia and Japan will continue talks for an agreement on the disputed Asahan aluminium smelter, according to Mr Radius Prawiro, Indonesia's Economy and Industry Minister, reports Reuter from Jakarta.

The dispute began last year when Indonesia suspended aluminium exports to Japan after Japanese shareholders in the joint venture refused to yield to demands by their Indonesian partners for a larger portion of output from the smelter.

Mr Radius told reporters this week that Indonesia and Japan had agreed in principle to review the master agreement.

Lawyers from Indonesia and Japan will meet to formulate a a new agreement but the minister gave no date or venue.

"Several items in the master agreement will be discussed between the lawyers," he said.

Talks here last week ended with no agreement, but Mr Radius said Indonesia's aluminium shipments to Japan were continuing.

Indonesia, which owns 41 per cent of the $2.1bn smelter in Sumatra, had asked for a larger share of the output to meet domestic demand and to supply overseas markets other than Japan.

Shell makes first find in Barents Sea

By Steven Butler

OIL HAS been found in the Barents Sea off the northern coast of Norway for the first time, the Norwegian Petroleum Directorate said yesterday.

The oil was discovered last week by Shell, the Anglo-Dutch oil group, which said further drilling and testing would be required to determine the significance of the find. It remains unclear how thick the layer of oil is.

The find represents an important breakthrough for oil exploration in the area, which in the past had been held out as one of the last great oil exploration frontiers in the world.

Prior to the Shell discovery, exploration results in the area had been disappointing and last year the NPD sharply reduced its estimates for oil yet-to-be-discovered in the Barents Sea.

The Barents Sea stretches east into Soviet waters where the boundary is disputed.

A production test on the Shell well is to take place in several weeks.

EC farm chairman aims to step up pace of price talks

By Tim Dickson in Brussels

MR CARLOS Romero, Spain's Agriculture Minister and chairman of the European Community Farm Council, is aiming to step up the pace of negotiations on this year's farm price package at the next meeting of Community Agriculture Ministers on March 6.

Mr Romero made it clear that next month's talks on the European Commission's price proposals may be prolonged after this week's meeting ended yesterday with little progress on any of the main issues. This was mainly due to the fact that all but one of the technical groups set up to examine the package in detail had not completed their discussions.

EC officials and diplomats said it was difficult at this stage to gauge the reaction of member states to the Commission's proposals, which broadly provide for a price freeze on the main products but which contain a number of new restrictions, notably in the cereals sector.

The strongest opposition was voiced by Mr Ignaz Kiechle, the West German Farm Minister, who complained that the package was not sufficiently "balanced" and that the EC measures for taking land out of production through the "set-aside" scheme and for less intensive farming were not being sufficiently widely implemented.

It is thought that Mr Kiechle may try to water down the agri-monetary proposals, which imply an extra price cut for German producers.

Brussels' plan to cut the sugar price by 5 per cent was widely criticised by ministers, while Mr Henri Nallet of France signalled his concern at a proposal for a new ceiling on the support provided to EC apple growers.

Mr John MacGregor, the UK Farm Minister, said he broadly agreed with most of the package, but added that the sugar cut would have to be studied "in the context of how it will affect the arrangements we have with ACP (developing country) suppliers."

Minister warns Scots fish farms about the future

By James Buxton, Scottish Correspondent

SCOTLAND'S rapidly expanding fish farming industry was warned by a government minister yesterday to prepare for the day when competition became fiercer as production increased and when there would no longer be a gap in the market to be filled.

Lord Sanderson of Bowden, Scottish Office agriculture minister, speaking at the 1989 Fish Farming Conference in Edinburgh, praised the industry for its considerable marketing efforts. But warned: "You have a high quality product with an image that suits today's health conscious consumer. At the moment there is a gap in the market to be filled. But it will not always be thus."

The industry had to think about where it wanted to be in 10 to 20 years time and needed to decide whether to concentrate its marketing efforts on Europe, where it already has a foothold in France, or in the US, as well as the UK, he said.

Lord Sanderson forecast that output of farmed salmon would rise from 17,951 tonnes in 1988 to 31,000 tonnes in 1989.

However, he acknowledged that output repeatedly fell short of official forecasts.

A year ago, for example, the Government predicted that output would reach 22,000 tonnes last year and 40,000 tonnes in 1989.

Molybdenum battle expected

By Kenneth Gooding, Mining Correspondent

AMAX, the North American natural resources group, is widely expected to take aggressive action this week in an attempt to stabilise molybdenum prices. The metal is principally used in alloy steels and stainless steel.

Traders believe that Amax will announce a substantial increase in its primary molybdenum output (currently about 30m lbs a year), a modest price rise and at the same time give clear indications that it intends to win back lost market share by turning no potential customer away.

This follows a decision by one of Amax's main rivals, Cyprus Minerals, another leading producer of primary molybdenum, to raise its prices for technical grade molybdenum oxide from February 8 from $3.60 a lb in drums to $3.90.

Cyprus said it made the move because demand for molybdenum had turned out to be stronger than it expected. Late last year the group estimated 1988 western world demand would be about 200m lbs and would fall to between 180m and 190m lbs this year. Cyprus now feels demand this year will remain at the 1988 level.

Traders say that since last March Cyprus and Amax have tended to control any upward movement in the molybdenum price by maintaining a joint price of $3.60 a lb.

Following the "breaking of ranks" by Cyprus, molybdenum oxide prices on the free market were quoted from $3.90 to $4.05 a lb, up 30 cents on the week. Traders suggested that the free market price might move up to the $4.20-$4.50 a lb level reached a year ago.

Amax's expected action will be taken to reassure the market that there is no shortage of molybdenum even though there has been some tightness of supply recently.

Analysts say that Amax is concerned about higher prices encouraging more primary molybdenum production increases than have already been scheduled. There have been hints, for example, that Molycorp, the Unocal subsidiary, might reopen its New Mexico facility at a rate of about 10m lbs a year.

Molybdenum demand has benefitted in the past two years from the boom in stainless steel and alloy steel output and because of its relatively stable price compared with most other alloying metals. It is used to increase hardness and corrosion resistance, particularly at high working temperatures such as in chemical plants.

During the recession of the early 1980s western world stocks of molybdenum built up to reach 120m lbs by the end of 1986 which forced substantial cut-backs and closures. Amax last year allocated $395m for closure and restructuring of molybdenum facilities.

Mr Jim Lennon, analyst with the Shearson Lehman Hutton securities group, estimates that stocks have been reduced to between 90m and 95m lbs and says the industry – which includes Codelco in Chile and Noranda of Canada as other main participants – reckons that is about right.

He suggests that western world primary molybdenum production last year rose from 44m lbs to 53.3m lbs and when metal produced as a by-product or co-product is included, the total was up from 154.8m to 163.5m lbs. This year he expects primary output to go up to 70m lbs, by-product and co-product output to rise to 116.4m lbs, to give a total of 186.4m lbs.

Consumption this year is likely to remain at the 1988 level, about 190m lbs, up from 172m lbs in 1987. Mr Lennon says there might be a shortfall of supply over demand in the first half of this year but a surplus in the second six months.

WEEKLY METALS PRICES

All prices as supplied by Metal Bulletin (last week's prices in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 2,060-2,140 (2,050-2,125).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.55-6.75 (6.55-6.90).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.90-8.10 (8.00-8.20), sticks 7.90-8.10 (8.00-8.20).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.45-7.75 (7.65-7.85).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 280-290 (275-290).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.90-4.00 (3.57-3.63).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 5.05-5.60 (5.29-5.70).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif. 55-64 (same).

VANADIUM: European free market, min. 98 per cent, VO, cif, 10.90-11.25 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 11.60.

WORLD COMMODITIES PRICES

LONDON MARKETS

THE LONDON Metal Exchange zinc market registered its highest ever closing level again yesterday, despite running into profit-taking late in the afternoon. The cash high grade price ended $20 up at $1,960 a tonne, while the three months price advanced $30 to $1,957.50 a tonne. Dealers attributed the rise to continuing bullish chart patterns, against strong background fundamentals, and said the later fall was influenced by the copper market's weakness. Nickel surrendered some of its recent gains with the cash price closing $350 down at $18,775 a tonne. Traders linked the fall to the market's failure on Monday to break through stiff chart-based resistance. Coffee futures fell to 2¾-month lows as speculators responded to weakness in the New York market. Dealers suggested the fall might have been due to lack of roaster demand.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.60-3.90q	+0.25
Brent Blend	$16.00-6.10z	+0.20
W.T.I. (1 pm est)	$17.34-7.52z	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$178-181	
Gas Oil	$135-137	+2
Heavy Fuel Oil	$67-69	+1.5
Naphtha	$158-160	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$386.0	+1.25
Silver (per troy oz)♣	584c	+4
Platinum (per troy oz)	$526.75	+5.50
Palladium (per troy oz)	$140.75	+0.90
Aluminium (free market)	$2135	+30
Copper (US Producer)	138¾-41¾c	-2¼
Lead (US Producer)	38.5c	
Nickel (free market)	800c	-10
Tin (European free market)	£4486	+10
Tin (Kuala Lumpur market)	21.13r	+0.17
Tin (New York)	392.0c	+4.5
Zinc (US Prime Western)	89¾c	+3¾
Cattle (live weight)†	107.29p	
Sheep (dead weight)†	135.19p	
Pigs (live weight)†	79.77p	
London daily sugar (raw)	$256.8x	-4.6
London daily sugar (white)	$280.0x	-8.0
Tate and Lyle export price	£266.0	-3.5
Barley (English feed)	£114.75z	
Maize (US No. 3 yellow)	£132.0	+0.5
Wheat (US Dark Northern)	£124.5v	
Rubber (spot)♥	69.00p	
Rubber (Mar)♥	68.25p	
Rubber (Apr)♥	68.75p	
Rubber (KL RSS No 1 Mar)	307.0m	+0.5
Coconut oil (Philippines)§	$525u	
Palm Oil (Malaysian)§	$390x	
Copra (Philippines)§	$370	
Soyabeans (US)	$182	
Cotton "A" index	62.15c	-0.30
Woolsops (64s Super)	573p	-3

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Mar. w-Feb. v-Apr/May. u-Mar/Apr. q-Apr. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	860	858	862 852
May	878	871	883 865
Jul	876	869	881 867
Sep	873	868	877 863
Dec	884	881	892 879
Mar	878	872	881 873
May	878	874	880 877

Turnover: 5724 (5263) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Feb 13: 1138.93 (1137.42); 10 day average for Feb 14: 1114.22 (1112.11)

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1120	1164	1165 1120
May	1100	1130	1132 1098
Jul	1075	1112	1112 1070
Sep	1061	1100	1100 1060
Nov	1050	1094	1095 1064
Jan	1050	1095	1095 1065
Mar	1058	1100	1082

Turnover: 5290 (2367) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Feb 14: Comp. daily 118.86 (119.90): 15 day average 121.52 (121.98).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	231.20	228.00	231.00 226.20
May	240.00	234.80	240.00 232.60
Aug	240.00	234.60	239.40 233.40
Oct	237.40	232.40	236.00 230.60
Dec	236.60	231.00	227.00
White	**Close**	**Previous**	**High/Low**
Mar	287.00	289.00	287.00 284.00
May	282.00	277.00	281.00 276.00
Aug	283.50	278.00	280.00 277.50
Oct	273.00	268.00	
Dec	265.00	264.00	

Turnover: Raw 2900 (1880) lots of 50 tonnes. White 908 (2867).
Paris: White (FFr per tonne): Mar 1820, May 1752, Aug 1765, Oct 1705, Dec 1696, Mar 1675

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2100	146	165	5	50
2150	95	106	26	90
2200	23	65	81	148
Copper (Grade A)	**Calls**		**Puts**	
2600	302	240	3	63
2700	[illegible]	132	[illegible]	[illegible]
2800	35	69	133	308

JUTE

February/March c and f Dundee BTC $475, BWC $485, BTD $425, BWD $435; c and f Antwerp BTC $465, BWC $445, BWD $400, BTD $410.

COTTON

Liverpool- Spot and shipment sales for the week ended February 10 came to 832 tonnes against 890 tonnes in the previous week. Orders were pretty much the same. Interest showed mainly in West African and Columbian qualities.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 11,750 tonne
Cash	2120-30	2115-20		2135-7		
3 months	2115-20	2110-5	2135/2115	2130-5	2120-5	28,385 lots
Copper, Grade A (£ per tonne)						Ring turnover 21,850 tonne
Cash	1645-7	1648-9	1662/1650	1651-2		
3 months	1590-1	1595-7	1615/1573	1611-2	1575-7	66,332 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	579-82	573-6		577-80		
3 months	592-6	586-9		593-5		352 lots
Lead (£ per tonne)						Ring turnover 8,300 tonne
Cash	351-3	351-2	353	353-4		
3 months	358.5-9	357-7.5	360/359	359-60	358-60	9,450 lots
Nickel ($ per tonne)						Ring turnover 936 tonne
Cash	18750-800	19100-50	19000/18800	18600-900		
3 months	18450-500	18600-700	18950/18350	18500-600	18400-500	5,083 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 7,400 tonne
Cash	2020-35	2015-20	2080/2070	2070-5		
3 months	1920-5	1905-10	1955	1950-60	1905-10	4,459 lots
Zinc ($ per tonne)						Ring turnover 13,675 tonne
Cash	1955-65	1935-45		2000-10		
3 months	1865-70	1835-40	1890/1850	1885-90	1860-5	12,192 lots

POTATOES £/tonne

	Close	Previous	High/Low
Apr	65.7	68.4	67.9 65.2
May	79.1	83.7	82.7 79.0
Nov	68.0	69.5	67.0
Feb	100.0	100.0	
Apr	127.5	127.5	127.0

Turnover 506 (361) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	154.50	148.00	155.00 152.00
Jun	148.50	151.00	149.00 147.00

Turnover 189 (136) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Feb	1499	1520	1510 1495
Mar	1553	1569	1580 1552
Apr	1592	1607	1600 1588
Jul	1425	1436	1435 1425
Oct	1547	1570	1550 1547
Jan	1570	1585	1570
Apr	1615	1650	1615
BFI	1508	1511	

Turnover 414 (385)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Mar	111.85	112.10	112.00 111.75
May	115.50	115.65	115.60 115.40
Jun	117.20	117.50	117.20 117.15
Sep	103.35	103.20	103.35
Nov	105.75	105.65	105.75
Jan	109.10	109.00	109.10
Mar	112.10	111.95	112.10
Barley	**Close**	**Previous**	**High/Low**
Mar	108.05	108.00	109.00 108.85
May	110.90	111.25	111.00 110.90
Sep	100.30	100.20	100.30
Nov	103.40	103.15	103.40

Turnover: Wheat 251 (314), Barley 32 (9). Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	385¾-386¼	218½-219
Opening	385-385½	218¼-220
Morning fix	386.65	218.192
Afternoon fix	384.10	218.338
Day's high	385-385½	
Day's low	383½-384	
Coins	**$ price**	**£ equivalent**
Maple leaf	397-402	225-228
Britannia	397-402	225-228
US Eagle	397-402	225-228
Angel	397-402	225-228
Krugerrand	385-388	219-220
New Sov.	91-92	51¾-52¼
Old Sov.	91-92	51¾-52¼
Noble Plat	538.65-544.60	304.25-309.35

Silver fix	p/fine oz	US cts equiv
Spot	331.50	583.00
3 months	342.00	596.80
6 months	352.60	611.75
12 months	375.45	643.00

CRUDE OIL $/barrel

	Close	Previous	High/Low
Apr	15.67	15.44	15.68 15.55
May	15.30	15.23	15.35 15.28
IPE Index	15.35	15.84	

Turnover: 2902 (1688)

GAS OIL $/tonne

	Close	Previous	High/Low
Mar	136.50	134.00	136.75 135.00
Apr	134.50	132.75	135.25 134.00
May	133.50	131.50	133.75 132.75
Jun	132.50	130.50	132.50 131.00
Jul	131.75	131.00	131.75

Turnover 2895 (3346) lots of 100 tonnes

US MARKETS

IN THE METALS, gold and silver futures had quiet sessions despite a sharp decline in the dollar, reports Drexel Burnham Lambert. Platinum futures gained 4.50 on short-covering. Copper continued to slip on technical selling. March closed down 220 to settle at 123.80. In the softs, cocoa prices soared higher on short-covering by funds. New long positions in the may contract also helped the advance. Sugar futures also gained on some fund and commission house buying. Producer selling in the coffee market sent prices almost 400 points lower. Most of the grain markets were higher with the soy complex making the biggest advance on short covering. Some spillover from the soy complex helped strengthen the maize market. Wheat prices were on mixed commercial business. In the meats, a record amount of product in frozen storage and uncertainty over the cut town storage report kept the pork bellies weak. An increase in packer demand and higher cash hogs rallied the hog futures. Cattle prices were mixed. Improved boxed cutout value was offset by an expected negative cattle on feed report. In moderate trading, crude oil and product prices fell on scattered selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Feb	386.4	386.2	387.5 384.6
Mar	387.5	388.0	0 0
Apr	389.7	389.4	391.8 387.8
Jun	393.8	393.5	396.0 392.0
Aug	398.1	398.6	400.5 396.6
Oct	402.5	402.8	403.5 401.0
Dec	410.2	410.0	412.6 410.0
Feb	415.3	414.9	416.0 414.5
Apr	421.4	422.1	0 0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Feb	582.8	582.6	0 0
Mar	584.7	584.2	587.5 582.5
Apr	588.4	588.6	0 0
May	595.1	594.8	598.0 593.0
Jul	604.0	603.4	607.0 602.0
Sep	613.5	613.1	615.5 612.0
Dec	631.9	631.5	634.5 630.0
Jan	635.4	636.0	0 0
Mar	646.1	645.7	647.5 646.0
May	657.5	657.1	657.0 657.0

INDICES

REUTERS (Base: September 18 1931 = 100)

Feb 13	Feb 10	mnth ago	yr ago
1943.3	1961.2	1973.0	1780.1

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	134.77	134.94	140.41	-
Futures	137.08	137.87	143.96	-

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Feb	530.3	531.4	0 0
Mar	530.3	526.8	0 0
Apr	530.3	526.8	534.0 525.0
Jul	529.3	524.8	532.0 526.0
Oct	529.3	524.8	532.0 527.5
Jan	530.8	526.2	532.5 529.0
Apr	533.8	529.2	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Feb	125.80	128.25	125.80 125.70
Mar	123.80	126.00	126.45 123.60
Apr	120.60	122.00	0 0
May	117.40	119.60	120.70 117.25
Jul	113.40	114.30	116.00 113.30
Sep	110.50	111.60	113.25 110.50
Dec	107.40	108.25	109.80 107.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Mar	17.40	17.59	17.73 17.40
Apr	16.82	17.00	17.15 16.81
May	16.62	16.71	16.78 16.53
Jun	16.28	16.40	16.56 16.21
Jul	16.03	16.23	16.35 16.06
Aug	15.78	15.98	16.05 15.86
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	15.64	15.62	15.64 15.60

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
Mar	4745	4917	4900 4740
Apr	4600	4770	4770 4600
May	4460	4604	4475 4415
Jun	4370	4415	4445 4370
Jul	4325	4375	4400 4325
Aug	4335	4470	4415 4335
Sep	4405	4547	4500 4405
Oct	[illegible]	[illegible]	[illegible]
Dec	4700	4832	4740 4700

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Mar	128.04	132.50	131.00 127.50
May	122.69	127.25	126.00 122.30
Jul	122.68	126.95	125.00 122.25
Sep	121.00	125.20	123.50 121.05
Dec	118.80	121.35	120.30 119.00
Mar	118.00	122.00	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	10.45	10.25	10.48 10.15
May	10.50	10.39	10.57 10.41
Jul	10.44	10.25	10.48 10.20
Oct	10.33	10.13	10.35 10.14
Jan	10.18	10.09	10.27 [illegible]
Mar	10.35	10.18	10.38 10.22

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Mar	57.92	57.94	58.15 57.67
May	58.64	58.65	58.87 58.51
Jul	58.47	58.65	58.80 58.35
Oct	58.05	58.05	58.25 57.95
Dec	56.05	56.15	56.30 [illegible]
Mar	58.00	[illegible]	[illegible]
May	58.20	[illegible]	[illegible]
Jul	58.37	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Mar	138.50	138.30	139.00 137.00
May	137.50	135.40	137.80 135.60
Jul	136.00	134.00	136.50 134.20
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Mar	735/2	734/0	737/4 [illegible]
May	745/4	744/4	747/4 735/0
Jul	752/0	741/0	753/4 742/4
Aug	747/4	737/6	747/0 739/0
Sep	725/4	719/0	727/0 [illegible]
Nov	711/4	705/0	707/4 707/0
Jan	717/6	711/0	718/0 714/0
Mar	724/0	717/0	724/0 721/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Mar	21.91	21.57	21.98 21.57
May	22.29	22.14	22.25 22.02
Jul	22.73	22.61	22.53 22.63
Aug	23.02	22.80	22.85 [illegible]
Sep	23.47	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	23.80	23.55	[illegible]
Jan	[illegible]	23.67	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Mar	233.9	230.7	234.3 231.0
May	231.8	229.3	232.5 229.2
Jul	229.3	226.4	229.5 226.6
Aug	224.7	222.0	223.9 222.0
Sep	219.7	217.2	218.5 216.8
Oct	215.5	212.5	215.0 211.5
Dec	212.5	211.0	213.0 211.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
Feb	74.65	74.60	74.82 74.42
Apr	75.82	75.65	75.85 75.30
Jun	74.02	74.00	74.35 [illegible]
Aug	71.82	[illegible]	[illegible]
Oct	71.75	71.75	[illegible]
Dec	72.20	[illegible]	[illegible]
Feb	71.72	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Feb	42.17	41.42	[illegible] 41.85
Apr	42.27	41.77	42.55 42.00
Jun	47.07	46.72	47.20 [illegible]
Jul	47.22	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	37.62	38.05	38.50 [illegible]
Mar	37.70	37.97	38.42 37.40
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

LONDON STOCK EXCHANGE

Futures trade boosts Footsie stocks

A FIRM performance in the London equity market yesterday reflected a consolidation after Monday's fall rather than an attempt to renew the market advance. Retail turnover picked up after a slow start, suggesting that the fall of the previous session had prompted bargain-hunting by the institutions.

The UK market chose to brush off nervousness over upward interest rate pressures in Europe and the US, and responded readily to Wall Street's opening firmness in the face of higher than expected US retail sales for last month.

However, technical factors

Account Dealing Dates

First Dealings:	Jan 30	Feb 13	Feb 27
Option Declarations:	Feb 9	Feb 23	Mar 9
Last Dealings:	Feb 10	Feb 24	Mar 10
Account Day:	Feb 20	Mar 6	Mar 20

*New time dealings may take place from 9.00 am two business days earlier.

were at work in the London market as trading firms and investment institutions continued to grapple with the significant re-rating of the equity sector over the past two months.

Share prices opened lower, discouraged by poor results from Amstrad, but turned upwards when a major UK house bought heavily into the FT-SE futures contract, driving it to a premium of 33 at best. The effects quickly worked through to the underlying Footsie stocks, the more so as it appeared that the house had been unable to obtain the number of futures contracts it sought.

At best, the stock market was ahead by 20 FT-SE points, but prices topped off in later dealings. At its final reading of 2049.1, the FT-SE Index was 18.4 higher. Traders suggested that the market may now have settled to a new trading range between FT-SE 2,000 – 2,100.

The running total of Seaq share trades began to increase as the session progressed, and the closing total of 534.1m shares, compared with 474.5m on Monday.

Detailed volume statistics for Monday's session indicate that, as expected, inter market business decreased as new rules removed requirements on market makers to trade at Seaq screen prices with their rivals. Monday's inter market business at £576m fell sharply from Friday's £983m: customer or retail activity fell less heavily, from £1,180.8m to £1,018.4m.

Dealers stressed, however, that market activity has fallen this week and that it is too early to assess the full implications of the new dealing rules.

The picture will change again shortly when delayed reporting of large deals will be introduced.

This week's slower pace in equities also underlines the renewed caution over inflationary prospects, which has been fuelled by the warning from the Mr Nigel Lawson, the UK Chancellor of the Exchequer, that this month could bring a "particularly marked" rise. Such worries have laid new significance on tomorrow's disclosure of data on the UK public sector borrowing, earnings, unemployment and wage costs, and also on the January Retail Price Index, to be announced on Friday.

FINANCIAL TIMES STOCK INDICES

	Feb. 14	Feb. 13	Feb. 10	Feb. 9	Feb. 8	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	88.96	88.98	89.10	89.25	89.29	88.47	91.43 (18/4/88)	88.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.87	97.56	97.37	97.28	97.18	95.35	98.67 (25/5/88)	94.14 (8/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1675.0	1658.1	1680.9	1702.9	1714.7	1388.9	1714.7 (8/2/89)	1349.0 (8/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	163.0	165.4	167.1	165.9	168.2	261.7	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)

	Feb. 14	Feb. 13	Feb. 10	Feb. 9	Feb. 8	Year Ago
Ord. Di. Yield	4.35	4.39	4.34	4.28	4.25	4.49
Earning Yld %(full)	10.84	10.99	10.86	10.72	10.65	11.32
P/E Ratio(Net)(☆)	11.21	11.04	11.18	11.32	11.39	10.79
SEAQ Bargains(5pm)	27,508	30,233	40,611	40,492	43,973	20,740
Equity Turnover(£m)†	-	1361.59	1503.74	1505.61	1500.88	1007.54
Equity Bargains†	-	37,609	45,690	46,646	47,462	23,998
Shares Traded (ml)†	-	521.0	657.9	714.0	686.5	308.1

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1654.5	1658.8	1669.3	1668.7	1669.1	1671.7	1677.1	1674.4

DAY'S HIGH 1677.9 DAY'S LOW 1654.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 11.14 †Excluding intra-market business.

● S.E. ACTIVITY

Indices	Feb.13	Feb.10
Gilt Edged Bargains	100.8	104.9
Equity Bargains	243.7	295.0
Equity Value	2752.1	3094.0
5–Day average		
Gilt Edged Bargains	104.4	103.0
Equity Bargains	279.6	291.0
Equity Value	2890.2	2764.6

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	1,700	145		Commercial Union	892	387	+4	Land Securities	855	573	+2	Rothmans	953	584	+3
Allied-Lyons	7,000	476	+4	Cons. Gold Fields	858	1460	-5	Laporte	1,755	426	+7	Royal Bk. of Scotlan...	1,100	394	-3
Amstrad	19,998	158½	-22½	Cookson	1,400	312	+6	Legal & General	1,200	319		Royal Insurance	1,000	427	+3
Argyll Group	3,390	184	-1½	Courtaulds	256	292	-1½	Lloyds Bank	1,600	375	+8	STC	3,400	320	-3
Ass. Brit. Foods	157	354	+3	Dalgety	1,600	362	+1½	LASMO	1,009	485	+2	Saatchi & Saatchi	1,000	395	-1
BAA	1,500	306½	+2½	Dixons	10,000	162	+4	Lonrho	1,109	348	-1	Sainsbury	712	236	+2½
BAT	2,000	550	+8	Eng. China Clays	1,319	502	+6	Lucas	1,862	646	+13	Scott & Newcastle	1,475	417	+7
BET	1,100	263	+2	Enterprise Oil	731	542	+15	MB Group	1,300	283	+2	Sears	2,800	128	+1
BICC	752	458	+7½	FKI Babcock	12,720	154	+10	MEPC	680	564	+5	Shell Transport	2,900	368	+3½
BOC	554	499	+7	Fisons	3,100	281	+7½	Marks & Spencer	2,000	168	+1	Siebe	825	464	-1
BPB Inds.	601	251	+2½	Gateway Corp.	2,090	175	+1½	Maxwell Comm.	2,400	217	-4	Slough Ests.	859	329	-5
BTR	2,100	343½	+2	General Accident	445	985	+7	Midland Bank	1,080	457	+1	Smith & Nephew	1,780	133½	+3
Barclays	3,400	464		General Elec.	7,000	223½	+3½	Nat. West. Bank	1,400	605	+4	Standard Chartd.	1,200	563	+5
Bass	486	923	+9	Glaxo	1,400	1265	+1	Next	4,700	160	+5	Storehouse	1,200	180	-1
Beazer	2,000	208	-2	Globe Inv.	562	164	+½	Northern Foods	435	301½	+1	Sun Alliance	703	1110	-1
Beecham	1,000	570	+7½	Glynwed Int.	589	334	+3	Pearson	313	697	-2	T&N	1,000	214	+7½
Blue Arrow	4,400	95	+1½	Granada	549	362	+3	Pearl	107	428		TSB	4,300	123	-1½
Blue Circle	734	481	+5	Grand Met.	3,480	529	+7	P & O	1,375	663	+9	Tarmac	1,100	278	+2
Boots	1,006	261	+2	GUS A	125	1074	+7	Pilkington	2,800	244	+1½	Tate & Lyle	1,500	239	+4
British Airways	2,900	199		GRE	1,400	213	+3	Plessey	6,808	251	+7½	Tesco	459	155	+1½
Brit. Aerospace	2,300	535	+16½	GKN	1,900	355	+4	Polly Peck Intl.	793	340	-2	THORN EMI	500	703	+6
Brit & Comm.	458	234	+3	Guinness	1,700	386	+5	Prudential	9,790	170	+1	Trafalgar House	5,100	330	-½
British Gas	5,208	177½		Hammerson 'A'	246	797	+4	Racal	7,509	341½	+9½	Trusthouse Forte	2,700	284	+5
British Land	587	358	-1	Hanson	9,500	181½	+½	Rank Org.	526	915		Ultramar	1,009	293	+1
BP	5,500	275	+2½	Harrisons & Cros.	126	725	+2	RMC	1,500	605	-2	Unilever	1,700	549	-2
British Steel	17,865	77¼	+1	Hawker Siddeley	455	635	+8	RHM	292	388	+2	United Biscuits	2,100	328	+4½
British Telecom	2,800	282	+5½	Hillsdown Hldgs	569	275½	+4½	Reckitt & Colman	350	1051	-5	Utd. Newspapers	1,200	455	+18
Burmah Oil	622	532	+8	IMI	2,050	226	+7½	Redland	660	487	+1	Wellcome	613	409	+5
Burton	3,180	212	+7	Imp. Chem.	1,300	1194	+10	Reed International	1,000	436	-4	Whitbread 'A'	2,208	327	
Cable & Wireless	980	430	+3	Inchcape	896	347	+1½	Reuters 'B'	479	596	+7	Williams Hldgs.	225	276	+3
Cadbury Schweppes	410	359	+1	Jaguar	502	318	+1½	RTZ	2,900	515	+18	Wimpey	806	297½	-5½
Coats Viyella	2,600	115	+2	Ladbroke	1,850	531	+7	Rolls Royce	3,500	160	+3½	Woolworth Hldgs	826	274	+2

Amstrad falls from grace

As soon as news of a sharp fall in interim profits to £75m at Amstrad reached the market, the shares fell heavily to the accompaniment of strongly bearish views from sector analysts at London securities houses. The bad news flashed across the trading screens early; by 10 am, the shares had already hit the day's low of 157p, and by noon 17m shares had changed hands. Nerves steadied a little in the second half of the session and the price ended 22¼ lower at 158¼p on final turnover of 20m shares.

Mr Paul Norris at BZW, expressing "disappointment" at the unchanged dividend, cut his year-end forecast from £165m to £130m and reiterated his sell recommendation.

"It is quite obvious that the shares are still too high: 150p is about right," warned Dr Nigel Burton, analyst at Robert Fleming. "Nearly everything has gone wrong," he said. "They have not planned for a downturn and are vulnerable to continued high interest rates."

The stock has historically traded on a low multiple which has edged up in the past year, based on comparisons with Compaq (9.5 p/e), the US market leader in computer clones. "But Compaq is a market leader," said Burton, "and Amstrad is a market follower."

Dixons resilient

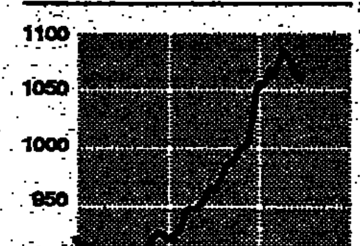
Dixons put in a brave performance yesterday as shares in the electrical retailer moved higher in the face of a downgrading from UK securities house Kleinwort Benson and gloomy news from Amstrad, one of the group's main suppliers.

However, the real feature of the session was turnover in the stock; no less than 10m shares changed hands, including one lump of 2m sold into the market at 158p and promptly picked up at 159p. Dealers reported prominent US buying, and by the close the shares had climbed 4 to 162p as bid speculation continued to underpin the stock's performance.

Ms Tanya Nelson of Kleinwort Benson, who was behind the downgrading, is one of several analysts who refuses to believe the persistent bid stories; in particular, she is sceptical of suggestions that Boots might go for Dixons.

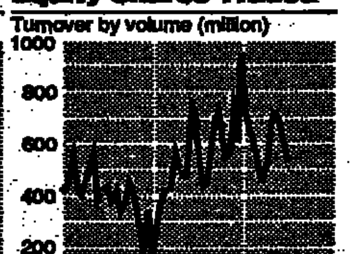
As for fundamentals, Ms Nelson paints a gloomy outlook, bringing down her forecast for

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



year-end May 1989 from £85m to £82m and for 1990 from to £90m to £86m.

"I have been very bearish about Dixons' UK retail operations," she said, "and Monday's decline in retail sales volumes adds fuel to that fire, especially with consumer durables the hardest hit area."

United active

A comprehensive report that Mr Conrad Black, the Canadian tycoon and owner of the Daily/Sunday Telegraph titles, was about to acquire the Express group from United Newspapers sent the latter's shares sharply higher. The article, published in the midday edition of a London newspaper, inferred that Lord Stevens, the executive chairman, had in the past toyed with selling the Express chain of newspapers and Mr Black was ready to buy at the right price.

Neither Mr Black nor Lord Stevens were available for comment, but sources close to the latter said the report was untrue, and the latest of several rumours about the group. The City is currently awaiting details of the disposal of the Express building in Fleet Street, believed to have been sold to a consortium of UK and Japanese interests.

Persistent buying developed of United Newspapers shares immediately the report was published, and they rose quickly to 460p before easing to close the day a net 18 higher at 455p. Volume eventually came out at 1.2m shares.

The favourable reception for the US dollar to US retail sales data for last month encouraged international stocks which also benefited from the early gain on Wall Street. ICI, with results due next week, jumped 12 to 1196p, although turnover at 1.3m shares was unexciting. Similar fortunes took Glaxo to 1265p, and Beecham up 7 to 570p.

Company statements stirred some interest. Reuters "B" shares gained 7 to 596p after announcing a 20 per cent gain in pre-tax profits for the year. However, Hanson was little changed at 181½p despite disclosure of a 15 per cent gain in earnings for the first quarter.

General Accident was the feature among mixed composites and stagnant lifes, climbing 15 to 982p with the shares caught in a bear squeeze, said dealers. Royal Insurance, 3 better at 427p, were in demand as investors switched out of Sun Alliance (1110p) and Guardian Royal Exchange (213p).

Few worthwhile movements were recorded among Building issues, which assumed a relatively low profile. John Mowlem and George Wimpey were the exceptions, the former rising 11 to 442p and the latter falling 5½ to 297¼p. Bryant found sporadic support following a BZW recommendation and rose 4 to 122p while Bucknall Austin, a newcomer to the Unlisted Securities Market last summer, jumped 15 to 130p.

Burton Group led the way among mostly firmer Stores, climbing 7 to 212p on turnover of 3m shares as the recent series of bullish brokers' circulars continued to fuel demand for the stock. Next was another to maintain its recovery form, adding 5 at 160p as nearly 5m shares changed hands. Despite its recent problems, several securities houses are known to be keen on the stock, most notably Citicorp Scrimgeour Vickers.

Bullish noises from the stores team at Morgan Stanley lifted Ward White 5 to 252p. Mr Mark Husson and his colleague, Mr Nick Bubb, visited Ward White's Payless and Halfords operations last week and came away impressed. Yearly improvements in earnings at Halfords, "one of the few pure retail growth stories in the sector," could reach 25 per cent in the next two years, said Mr Husson, while Payless is currently enjoying higher returns per-square-foot than most of its competitors. Consequently, he rates Ward White "a classic each-way opportunity."

Lowndes Queensway closed unchanged at 49p after announcing the sale of its Poundstretcher operations to Brown & Jackson for £72.7m, while fashion retailer French Connection slumped 12 to 88p on a profits warning.

Electricals were generally firm with the obvious exception of Amstrad. Plessey rose sharply initially and was unfazed by the court ruling against it over control of the GPT telecommunications subsidiary jointly owned with GEC. Plessey ended 7½ higher at 251p. If Plessey had won, the price would have fallen, said one analyst, because it would have strengthened Plessey's bid defences against an offer from GEC/Siemens. GEC rose 3½ to 223½p.

STC shed 4 at 319p, hit by fallout from the slide in Amstrad profits and a dividend cut from Nixdorf, West Germany's second biggest computer maker. The continental computer markets are showing signs of weakness, said one analyst, "but the effect on STC is just psychological, they don't have much business there."

Engineering stocks rose with the market. FKI Babcock moved strongly, gaining 10 to 154p on news of its de-sulphurisation contract for Drax, said to be worth about £300m. The energy group's order book is "worth about £700m", said one analyst "and will keep them going for several years."

The management buyout at Tyzack coaxed the shares up 9 to 206p, 4p short of the management offer. The market's verdict was that the MBO would go ahead smoothly.

In a Foods sector underpinned by bid speculation Dalgety edged 1½ higher to 362p in good two-way trade, this despite a generally negative response to Monday's set of figures. One marketmaker who was active in the stock all day said: "Dalgety have been a fabulous market, with all the sellers easily absorbed on the IDB (Inter dealer-broker) screens." United Biscuits also benefitted from talk of future corporate activity, climbing 4½ to 328p on turnover of over 2m shares.

Bernard Matthews enjoyed a run ahead of the figures next month, adding 5½ at 86p on good demand in a thin market. Kwik Save were well bought, the shares rising 9 to 415p as the market anticipates a bid approach from Hong Kong group Dairy Farm when its standstill agreement expires in April.

British Aerospace, which announced yesterday that foreign shareholders were slightly below the maximum permitted 15 per cent level, proved popular to investors and the shares moved ahead strongly to end 16½ up at 535p.

But De La Rue shares came under extreme pressure after the warning that group profits will be "substantially lower" than those reported for the previous year. From a virtually unchanged early level, the shares fell continuously in one-way traffic to settle 65 down at 392p.

Favourable signals from broking houses encouraged demand for Erskine House, 5 better at 230p, and for Hunting Associated Industries, 10 higher at 415p, but Avon Rubber dipped 15 to 612p as word went round of a profits downgrading. DSC slipped, ending 4 easier at 62p after news of heavier first-half losses.

Increased half-yearly profits lifted TNT 10 to 178p while consideration of the recent acquisition from Sketchley continued to boost Eurocopy, up 8 at 124p. The approach from Gardiner group raised Bridgend 2 more to 57p and the proposed New Zealand buy-in left Noble & Lund 6 dearer at 103p.

Smaller stocks were the main features in the leisure sector with plenty of activity in TV-am as investors anticipated a £100m cash mountain by the time the franchise ends in 1992. Market capitalisation is around £130m.

Piccadilly Radio rose 9 to 294p on hopes that Miss World's promised bid might go through. The offer would be conditional on Piccadilly not buying Midland Radio, and after the market had closed Miss World called on Piccadilly shareholders to vote against the deal for Midland. "Up to 40 per cent of shareholders will vote against the deal," said an analyst.

Lucas Industries warmed to Robert Fleming advice of "rapid productivity growth makes the shares fundamentally attractive," and the close was 13 up at 646p. The listing of Reliant Motor was temporarily suspended, at 41p, following the reversal into the property and building market. The deal involves the issue of 41.25m new shares at 40p each to vendors Wiseoak Group and Belmont; existing shareholders will be allowed to subscribe for the shares.

St Ives fluctuated sharply, rising to 249p before reacting quickly to end the session 7 lower on balance at 235p. Commenting on recent reports of a tranatlantic bid, a marketmaker said: "It's nonsense, just idle speculation."

Oil shares steadied, but they managed only modest rises by comparison with the rest of the market; traders said that no new factors entered the sector yesterday. Firmness in the US dollar helped sentiment, but the major stocks were disinclined to move far ahead of this week's profits statement fom BP.

At 276p, BP old shares edged up by a few pence on turnover of only 5.5m, while the partly-paid, at 170¼p, added 3 on turnover of 10m. A similarly modest rise took Shell to 369p.

Turnover in traded options was led by dealings in Amstrad, which accounted for 4,900 contracts, out of the market total of 43,304, which may, on a handicappers' basis, be seen as out-running the 10,434 contracts traded in the FT-SE 100 Indexoption – even though the March 2,000 and 2,200 index calls attracted substantial opening of interest. There was more opening of interest on the call side of Amstrad than on the put.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 31

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (79)
[illegible] LEISURE (5) Capital Radio, [illegible] Leis., TV-am, Ulster TV, MOTORS (3) Volvo, Plaxton, [illegible] (A.&C.), Blenheim [illegible] Planning Res., [illegible] PROPERTY (4) City [illegible] Mucklow (A.&J.), [illegible] (2) P & O Sub [illegible] (6) Eng. & Int'l. [illegible] Cv., Kleinwort [illegible] Dual Inc., River & [illegible] Inc., MINES (1) [illegible] MARKET (1) Whitegate [illegible]

NEW LOWS (9)
CHEMICALS (1) Cambridge Inst., STORES [illegible] ELECTRICALS (1) [illegible] (1) Ptarmigan, [illegible] Doornfontein, [illegible] Grp.

APPOINTMENTS

Shell U.K. planning director

■ Mr John Wybrew has been appointed to the board of SHELL U.K. as planning and public affairs director. He succeeds Mr Anthony Vicars-Miles who will become head of Shell International Petroleum Company's East Europe division, and president of the Shell East Europe Services Company. Mr Wybrew joined Shell in 1964. From 1984 to 1988 he was on secondment to the Prime Minister's policy unit as adviser on energy and transport.

■ Mr Tony Chappell has been appointed global director of foreign exchange at REPUBLIC NEW YORK BANK, *writes David Lascelles, Banking Editor*. Mr Chappell will head a London-based foreign exchange operation which the bank is developing to match its existing strengths in bullion and banknote dealing. He was formerly at Irving Trust and before that at Mellon Bank.

■ THE COATS VIYELLA GROUP has appointed Mr Peter White as chairman of its household textiles division in addition to his post as chairman of the home furnishings/carpets division. Mr Clifford Rothera, chairman of the household textiles division, has retired.

Midland management changes

Mr Brian L. Goldthorpe (*right*) will succeed Mr John A. Brooks (*left*) as deputy group chief executive of MIDLAND GROUP on May 1. Mr Brooks becomes a director of The Hongkong and Shanghai Banking Corporation, and remains a director of Midland Group and chairman of Thomas Cook Group. Mr Michael J. Fuller will succeed Mr Goldthorpe as chief executive of Midland UK Banking, and Mr Rodney F. Baker-Bates will take over from Mr Fuller as deputy chief executive. Mr A. Ian Mullen, deputy head of Midland Montagu Corporate Banking, will succeed Mr Baker-Bates as UK Corporate banking director.

■ Mr Richard Martin, a director of Hodgson Martin, has been appointed a non-executive director of CASPEN OIL. Mr Richard Henstock has resigned from the board but will continue as a consultant until the end of April.

■ CRANE has appointed Mr J.M. Fraser as managing director. He was executive vice-president of Crane Co., the parent company. Mr R.S. Young joins from ITT as finance director.

■ Dr Richard Atkinson, managing director of the group's Shandon division, has been appointed an executive director of LIFE SCIENCES INTERNATIONAL.

■ Mr Alan McWalter, marketing director of FERGUSON, has been promoted to commercial director.

■ Mr Malcolm L. Hawkins, financial controller, has been promoted to financial director of LOGAN FENAMEC (UK).

■ PROVIDENCE CAPITOL INTERNATIONAL, Guernsey, has appointed Mr Peter Hamp-Adams as marketing director from March 1, succeeding Mr Philip Goldsmith who becomes sales director. Mr Hamp-Adams joins from Old Mutual in Cape Town.

■ Mr Duncan MacDonald has been appointed finance director of BROADWELL LAND. He joins from Johnson Fry where he was group finance director.

■ TROLLOPE & COLLS CITY, a Trafalgar House company, has appointed Mr Peter Holmes as a director. He joined the company as an apprentice bricklayer in 1958.

■ Mr Alain Couture and Mr Jean Favreau have been appointed to the board of MIRROR GROUP NEWSPAPERS (1985).

■ Mr Anthony Michael Beaumont-Dark, MP for Birmingham Selly Oak, has been appointed a non-executive director of J. SAVILLE GORDON GROUP.

■ JANE'S INFORMATION GROUP has appointed Mr Fred T. Arnold to the board and as president and chief executive officer of the group's North American company. He was group vice president, DRI/McGraw Hill.

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
90 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	45.52	45.00xd	48.93	-0.36	5.60
Gilts & Fixed Int	6	115.00	115.00	122.10	-0.1	2.19
High Inc. Equity	6	125.50	125.90	137.90	-0.1	4.32
Worldwide Bond	6	184.50	184.50	195.60	-3.6	4.95
Capital Growth						
American Growth	6	155.10	156.80xd	166.80	-1.3	1.31
Asian Pacific	6	79.01	79.01	84.51	-2.71	1.23
Assets & Earnings	6	251.20	251.10	261.70	-0.1	2.45
Capital Reserve Acc	0	83.09	83.09	83.15	+0.01	4.81
Comdty & Energy	6	94.57	94.57	101.20	-0.6	0.00
1992 Enterprise	6	52.65	53.65	57.07	-0.1	3.15
European Capital	6	74.48	74.48	79.66	-1.5	0.94
General	6	166.10	168.30xd	180.00	-0.1	2.50
Japan	6	105.60	107.40	114.20	-0.2	0.00
Mastertrust	6	78.12	78.12	83.56	-0.3	1.76
UK Growth Acc	6	192.00	192.00	205.40	-0.5	1.66
UK Growth Dist	6	128.9	128.9	137.9		2.47
US Emerging Cos	6	35.97	47.52	50.55	-0.57	0.09
Income & Growth	6	279.10	279.10	298.60	-0.4	3.18
Ethical	6	47.01	48.15	51.22	-0.09	2.44

Abtrust Management Ltd (1000)H
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5¼	42.40	42.40xd	45.10	-0.30	1.84
Australian	5¼	23.40	23.40	24.89	-0.03	1.19
European	5¼	51.67	51.67	54.97	-0.63	0.00
Extra Income	5	41.56	41.56	44.11	-0.18	5.02
Fund Inv Tst	5	114.7	114.7	121.9	-0.2	2.42
Do Accum	5	174.9	174.9	185.6	-0.3	2.42

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 01-935 6382

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Income Growth	1	183.0	183.0	189.4	-0.3	4.27

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL

CCL Unit Trusts Ltd (1400)F
74 Shepherds Bush Green, W12 8SD

CIBC Unit Tst Managers plc (1200)H
Cottons Ctr, Cottons Lane, Ldn SE1 2QL

CS Fund Managers Limited (1600)H
125 High Holborn, London WC1V 6PY

Canada Life Unit Tst Mgrs Ltd (1200)F

Eagle Star Unit Mngrs Ltd (1000)H
Bath Road, Cheltenham GL53 7LQ 0242 221311

Elcon Ltd (1600)F

Gevett (John) Unit Mgmt Ltd (1000)F
Stockleton House, 4 Battle Bridge Lane, London SE1

Lloyds Bk Unit Tst Mgrs Ltd (1000)F
PO Box 63, Chatham, Kent ME4 4YB

Midland Unit Trusts Ltd—Contd.

Prudential Holborn Unit Trts Ltd (1445)H
51-64 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377

Smith & Williamson Unit Tst Mgrs (1000)F

Sovereign Unit Tst Mngrs Ltd (1000)F

GUIDE TO UNIT TRUST PRICING

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OTHER UK UNIT TRUSTS

INSURANCES

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1685

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Inv Tst Fd	53.0	56.0	—	—
Risk & Reward Bond	168.0	177.0	—	—
Money Market Fd	124.0	131.0	—	—
Investment Strategy Fd	108.0	114.0	—	—
Predator Fd	86.0	91.0	—	—
Flagship Fd	108.0	114.0	—	—
Ivory & Sime Pens Fd	126.0	133.0	—	—
Risk & Reward Pens Fd	170.0	179.0	—	—
Murray J'stone Pens Fd	162.0	171.0	—	—
Inv Strategy Pens Fd	139.0	147.0	—	—
Predator Pens Fd	116.0	123.0	+1.0	—

City of Westminster Assurance (z)
PO Box 469, 500 Avebury Blvd, Milton Keynes MK9 2NU

	Bid Price	Offer Price	+ or -	Yield Gross
Current Series				
Property Fund	178.1	187.9		—
Secure Gwth Fund	260.1	273.8	+0.0	—
Managed Fund	499.5	525.8	-0.9	—
Equity Fund	397.2	418.2	-0.5	—
Fixed Interest Fund	168.7	177.6	-0.1	—
Far East Fund	273.4	287.8	-1.1	—
North American Fund	125.2	131.8	-0.2	—
Natural Resources Fund	209.2	220.3	+2.5	—
Pension Managed Fund	513.5	540.6	-2.2	—
Pension Equity Fund	423.5	445.8	+0.6	—
Pensions Fixed Int	167.1	175.9	+0.9	—
Pensions European	121.8	128.3	+0.5	—
Pensions Intl	121.8	128.3	-0.4	—
Pens Adventurous Mgd	170.6	179.6	-0.5	—
Pensions Balanced Mgd	161.7	170.3	-0.2	—
Pens Conservative Mgd	154.3	162.5	+0.3	—
Adventurous Mngd Fd	200.8	211.4	+0.4	—
Balanced Mngd Fd	187.1	197.0	+0.0	—
Conservative Mngd Fd	184.5	194.3	+0.6	—
European Fund	130.0	136.9	+0.1	—
International Fund	159.9	168.4	-0.5	—

For other prices please telephone: 0908 690888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

	Bid Price	Offer Price	+ or -	Yield Gross
Investment Funds				
Ruby	105.2	110.8	+1.0	—
Sapphire/Mixed	174.1	183.3	+1.5	—
Emerald	97.1	102.3		

Devonshire Life
29 Clarges St., W1Y 5RG 01-434 3511

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	154.5	162.7	-0.5	—
World Growth	115.4	121.5	-0.6	—
UK Equity	180.9	190.5	-0.8	—
UK Small Companies	171.6	180.7	+0.4	—
European	105.8	111.5	-0.7	—
Far Eastern	216.5	228.0	-2.7	—
Nth American	98.6	103.9	+0.0	—
Fixed Interest	129.5	136.4	-0.2	—
Index Linked Stks	134.6	141.8	-0.4	—
Money	113.7	119.8	+0.1	—
Pen Managed	194.3	204.6	-0.7	—
Pen World Growth	113.1	119.1	-0.6	—
Pen UK Equity	259.5	273.0	-1.6	—
Pen UK Small Cos	230.0	242.2	+0.5	—
Pen European	92.7	97.6	-0.7	—
Pen Far Eastern	265.1	279.1	-3.3	—
Pen Nth American	94.2	99.3	+0.1	—
Pen Fixed Interest	146.2	154.0	-0.2	—
Pen Index Lnkd Stks	139.9	147.3	-0.5	—
Pen Money	126.8	133.6	+0.1	—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 221311

	Bid Price	Offer Price	+ or -	Yield Gross
Secure Fund	118.7	125.0		—
Blue Chip Fund	156.4	164.7	-0.1	—
Performance Fund	171.7	180.8	-0.3	—
Adventurous Fund	166.7	175.5	-0.4	—
Pensions Secure	116.2	122.4		—
Pensions Blue Chip	125.6	132.3	-0.1	—
Pensions Performance	112.0	117.9	-0.2	—
Pensions Adventurous	113.4	119.4	-0.2	—
Pensions With Profits	122.6	129.0	+0.1	—

Eagle Star Insur./Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

	Bid Price	Offer Price	+ or -	Yield Gross
Eagle/Mid. Units	187.1	196.4	-0.60	4.37

Economic Insurance Company Ltd
London Rd, Sittingbourne, ME10 1PE 0795 24321

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	104.0	109.5	—	—
Fixed Interest	99.9	105.2	—	—
Equity	108.8	114.6	—	—
Overseas Equity	89.7	94.5	—	—

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Pioneer Mutual Insurance Co Ltd				
16 Crosby Rd N. Waterloo Liverpool 051-929 6655				
Managed Fund	284.6	299.6	.....	-
Man Pens Inc & Cap Fds	370.2	389.7	.....	-
Money Fund	116.9	123.1	.....	-
Pens Mngd Fd (Init)	98.9	104.2	.....	-
Pens Mngd Fd (Acc)	117.5	123.7	.....	-
Pens FT30 Fd (Init)	142.7	150.3	.....	-
Pens FT30 Fd (Acc)	169.5	178.5	.....	-
Pens 0 secs MgFd(Init)	70.3	74.0	.....	-
Pens 0 secs MgFd(Acc)	83.5	87.9	.....	-
Pens Fxd Int Fd (Init)	106.0	111.6	.....	-
Pens Fxd Int Fd (Acc)	125.9	132.6	.....	-
Pens Deposit Fd (Init)	103.1	108.6	.....	-
Pens Deposit Fd (Acc)	122.5	129.0	.....	-
Premium Life Assurance Co Ltd				
37-39, Perrymount Road Haywards Heath 0444 458721				
American	107.0	113.0	+1.0	-
Building Soc. Fd	167.0	176.0	.....	-
Balanced	270.0	285.0	+3.0	-
Deposit	166.0	175.0	.....	-
European	150.0	158.0	-1.0	-
GT Managed	171.0	180.0	.....	-
Gartmore Mngd	110.0	116.0	.....	-
German	104.0	110.0	-1.0	-
Gilt	175.0	185.0	+1.0	-
Global	48.0	51.0	.....	-
High Inc	114.0	120.0	.....	-
International Equity	176.0	186.0	-2.0	-
Japan	235.0	248.0	+1.0	-
Managed	62.0	65.0	.....	-
Property	276.0	291.0	.....	-
R. W. Imperial Gold	130.0	137.0	.....	-
UK Equity	362.0	382.0	+7.0	-
Pension Funds				
American	132.0	139.0	.....	-
Building Soc. Fd	164.0	173.0	.....	-
Balanced	208.0	219.0	.....	-
Deposit	159.0	168.0	.....	-
European	153.0	162.0	.....	-
German	95.0	100.0	.....	-
Gilt	146.0	154.0	.....	-
International Equity	129.0	136.0	.....	-
Japan	137.0	145.0	.....	-
Managed	62.0	66.0	.....	-
Property	213.0	225.0	.....	-
UK Equity	317.0	334.0	.....	-
Prolific Life & Pensions Ltd				
Stramongate Kendall Cumbria LA9 4BE 0539 33733				
Managed Fund see Balanced Growth Managed Fund				
Balanced Gwth Mngd	554.5	584.3	.....	-
Adventurous Mngd	113.1	121.0	.....	-
Secure Mngd	105.6	111.3	.....	-
Cash Fd	227.3	239.6	.....	-
Property Fund	278.8	296.6	.....	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	528.9	556.8	-3.0	-
Equity	765.7	806.1	+7.9	-
Global Equity	215.2	226.6	-0.7	-
Fixed Interest	402.5	423.7	-0.4	-
Property	372.4	392.0	+0.4	-
Cash	150.4	158.4	+0.1	-
Index Linked Gilt	190.8	200.9	+0.1	-
Guaranteed	11.87		+0.19	-
International Money	191.9	202.1	+0.6	-
North American	58.7	61.8	-0.1	-
Japanese	139.0	146.4	-0.5	-
European	78.0	82.2	-0.1	-
Special Situations	115.3	121.4	+1.3	-
Communications	91.0	95.8	.....	-
Smaller Companies	105.1	110.7	+1.0	-
International Small Co	115.3	121.4	-0.2	-
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-405 9222				
Discretionary Feb 08	£145.64	150.57	.....	-
Equity Feb 08	£159.34	165.17	.....	-
International Feb 08	£23.72	24.44	.....	-
Intl Bond Feb 08	£11.15	11.39	.....	-
Fixed Int Feb 08	£71.86	72.18	.....	-
Index Linked Feb 08	£58.93	59.67	.....	-
Property Feb 08	£102.86	109.07	.....	-
Cash Feb 08	£20.0274	20.0274	.....	-
Pre-Linked Retirement Plan				
Managed Feb 8	358.7	373.7	.....	-
Cash Feb 8	188.6	196.5	.....	-
Prudential Pensions Investment Account				
Pens Mngd Feb 14	145.5	153.2	-2.0	-
Pens UK Eq Feb 14	269.8	284.0	-5.0	-
Pens Intl Feb 14	169.8	178.8	-0.7	-
Pens Fixed Feb 14	166.1	174.9	-0.4	-
Pens Index Lk Feb 14	150.1	158.0	-0.3	-
Pens Cash Feb 14	123.3	129.8	.....	-
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	112.6	118.5	-0.1	-
Balanced Ptflio Fd	290.4	314.0	-0.2	-
Cautious Ptflio Fd	119.2	125.4	-0.1	-
Elite Fund	101.8	107.1	-0.5	-
European Fund	73.8	77.6	-0.5	-
Far East Fund	107.8	113.4	-0.3	-
Fixed Interest Fund	244.9	257.7	-0.3	-
International Fund	240.8	253.4	-0.3	-
Money Fund	172.6	181.6	+0.1	-
N. American Fd	100.1	105.3	-0.5	-
Property Fund	394.3	415.0	-2.1	-
UK Equity Fd	365.7	384.9	+0.1	-

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY AUTHORISED

	Init. Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Touche Remnant (Guernsey) Limited						0481 26268
PO Box 208, St. Peter Port, Guernsey						

JERSEY AUTHORISED

Capital House Fund Mgrs (CI) Ltd

PO Box 189, Capital Hse, Bath St., St. Helier, Jersey

IoM AUTHORISED

LUXEMBOURG AUTH'D

OTHER OFFSHORE FUNDS

BERMUDA AUTHORISED

OFFSHORE INSURANCES

FT UNIT TRUST INFORMATION SERVICE

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LONDON SHARE SERVICE

BRITISH FUNDS

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101⅛	98⅞	Treas 9½pc Cnv 1989	99½	+1/16	9.55	12.02
98⅞	95⅞	Treas 3pc 1989	98⅜	–1/16	3.05	9.54
102⅛	98⅞	Treas 10½pc 1989	99⅛	+1/16	10.57	12.51
102	98⅞	Exch 10pc 1989	98⅞	.....	10.10	12.35
103⅞	98⅞	Exch 11pc 1989	99⅛	–1/16	11.08	12.25
97⅞	94⅝	Treas 5pc 1986-89	96⅞	–1/16	5.16	9.92
104⅞	98⅝	Exch 10¼pcCv '89	99½	.....	10.30	10.92
107½	101⅛	Treas 13pc 1990‡‡	101⅜	–1/16	12.82	11.35
104⅝	99⅛	Exch 11pc 1990‡‡	99⅞	–1/16	11.03	11.30
107⅛	100⅛	Exch. 12¼pc 1990	101⅛xd	–1/16	12.36	11.38
93⅞	90⅞	Treas. 3pc 1990	92¼	.....	3.24	9.41
99⅞	95⅛	Treas 8¼pc 1987-90‡‡	96½	–1/16	8.54	11.04
102⅛	95⅝	Treas. 8pc Cv 1990 ‡‡	98⅛	.....	8.13	9.22
103⅞	97¼	Treas. 10pcCv 1990	98⅞	–1/16	10.16	11.04
91⅞	87⅞	Exch 2½pc 1990	89⅞	–1/16	2.79	8.89
107⅝	100⅞	Treas 11¾pc 1991	101⅜	–1/16	11.59	10.92
95⅞	89⅞	Funding 5¾pc '87-91‡‡	91⅞	–1/16	6.27	10.18
90⅞	86	Treas. 3pc 1991	88⅛	–⅛	3.40	8.84
105⅞	97⅞	Treas 10pc Cv '91 ‡‡	99⅞	–⅛	10.00	10.01
107⅞	98⅞	Exch. 11pc 1991	100¾	–⅛	10.92	10.66
98⅞	91⅞	Treas. 8pc 1992	93¼	–⅛	8.53	10.60
113⅞	103⅞	Treas 12¼pc 1992‡‡	105⅞	–⅛	12.04	10.35
104⅞	96⅝	Treas 10pc 1992	98⅞xd	–⅛	10.11	10.42
98⅞	91¼	Treas. 8pc 1992 ‡‡	93⅞	–⅛	8.55	10.43
106⅝	98⅞	Treas 10½pc Cv 1992‡‡	100⅞	–⅛	10.47	10.38
86⅞	81⅞	Treas. 3pc 1992	85⅛	–⅛	3.53	8.28
112⅞	102⅞	Exch. 12¼pc '92	105⅞xd	–⅛	11.63	10.42
117⅞	106⅞	Exch 13½pc 1992	109⅞xd	–¼	12.34	10.37
97⅞	91	Treas 8¼pc 1993	93½xd	–¼	8.82	10.26
105⅞	96⅞	Treas 10pc 1993‡‡	99½	–¼	10.05	10.13
115⅞	105⅞	Treas 12½pc 1993‡‡	108⅞	–¼	11.56	10.17
93⅞	85¼	Funding 6pc 1993‡‡	87⅝xd	+¼	6.85	9.38
121⅞	110⅞	Treas 13¾pc 1993‡‡	113⅞	–¼	12.15	10.17
101⅞	90⅞	Treas. 8½pc 1994	93⅞	–¼	9.08	10.17
		Five to Fifteen Years				
125⅝	113⅞	Treas 14½pc 1994‡‡	117⅞xd	–⅛	12.37	10.05
120⅞	109⅞	Exch 13½pc 1994	112⅞	–⅛	11.95	10.21

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BRITISH FUNDS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Undated				
45⅞	41⅞	Consols 4pc	45⅞	+⅛	8.89	–
40⅞	37⅞	War Loan 3½pc‡‡	40¼	.....	8.70	–
68⅝	48⅞	Conv. 3½pc '61 Aft	68⅝	+1½	5.11	–
37	30⅞	Treas. 3pc '66 Aft	37	+1	8.11	–
28⅞	26⅛	Consols 2½pc	28⅞	+⅛	8.79	–
29⅞	26⅛	Treas. 2½pc	28⅛	+⅛	8.81	–
		Index-Linked				
		(b)			(1)	(2)
125⅞	117½	Treas 2pc IL '90(84.6)	125⅞	+⅛	0.40	3.03
105⅞	99⅞	Do. 2pc '92‡‡(97.8)	105⅞xd	+⅛	2.64	3.45
97⅞	92½	Do. 2 '94 (102.9)	97⅞	+⅛	2.99	3.46
142¼	127⅝	Do. 2pc '96(67.9)	142¼xd	+¼	3.20	3.54
122⅞	103⅞	Do 2½pc '01(78.3)	122⅛	+⅛	3.37	3.60
120⅞	101⅛	Do. 2½pc '03(78.8)	119⅝	+⅛	3.41	3.61
122⅝	102½	Do. 2pc '06(69.5)	122⅞	+⅛	3.46	3.63
115⅞	95⅞	Do. 2½pc '09(78.8)	114⅝	+⅛	3.46	3.62
120⅛	99⅞	Do. 2½pc '11(74.6)	119⅞xd	+⅛	3.45	3.60
100	82⅞	Do. 2½pc '13(89.2)	99⅞xd	+⅛	3.43	3.57
108⅛	88⅞	Do. 2½pc '16(81.6)	107⅛	+⅛	3.41	3.54
105⅞	87⅛	Do. 2½pc '20(83.0)	105⅛	+⅛	3.37	3.48
89⅞	73	Do. 2½pc '24‡‡(97.7)	88⅞	+⅛	3.34	3.45

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for May 1988:106.2 and for December 1988:110.3

INT. BANK AND O'SEAS

1988/89 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109⅞	100⅞	African Dv Bk 11⅛Ln 2010	108⅞	+⅛	10.26	10.14
104⅞	96⅞	Asian Dev Bk 10¼pcLn2009	104⅞	+⅛	9.82	9.74
130¼	120⅞	Australia 13½pc 2010	129⅞xd	+⅛	10.40	10.08
113⅞	103¼	Do. 11⅝pcLn2015	113⅛	+⅛	10.06	9.96
110⅞	103⅞	Euro Inv Bk 11pc Ln 2002	108⅞	+⅛	10.17	9.89
105⅞	98⅞	Do. 10½pc2004	104⅞	–⅛	9.96	9.84

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CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

Continued on next page

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Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

UNIT TRUST NOTES

[illegible]

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AMERICANS – Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
19	14½	USX $1	17⅝xd	–⅛	$1.40	–	4.4
154p	44p	♥Unilab	130p	.....	–	–	–
26	17⅝	Utd. Technologies	24⅛xd	–⅛	$1.60	–	3.6
163p	27p	♥Unitech Inc	136p	.....	–	–	–
35⅝	26¼	US West	35	.....	$3.52	–	5.6
26⅛	16⅞	Waste Management $1	24¼	–⅝	48c	–	1.1
16⅝	12⅞	Whirlpool $1	15¼	.....	$1.10	–	4.0
20⅝	15¼	Whitman Corp	19⅛	.....	96c	–	2.8
33⅞	18¼	♥Woolworth $3½	29½	–⅝	$1.64	–	3.1

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	132p	♥ABM Gold Corp ‡	156p	–1	–	–	–
32p	4½p	♥Abbet Energy Corp	12p	.....	–	–	–
14¾	882p	♥Amer. Barrick Res	11⅝	–⅛	–	–	–
10p	2½p	♥Amer. Lightwave ‡	2½p	.....	–	–	–
47p	7¼p	♥Armeno	16¼p	.....	–	–	–
76p	23p	♥Augmitto Expln	27p	+3	–	–	–
14⅝	10⅝	Bk. Montreal ‡	14	–⅛	$2.12	–	7.3
769p	514p	Bk. Nova Scot. ‡	708p	–3	84c	–	5.7
18¾	15¼	BCE ‡	18⅛xd	–⅛	$2.44	–	6.5
716p	527p	♥Bow Valley ‡	672p	–9	40c	–	2.9
14¼	10½	♥Brascan ‡	13⅝	+⅛	88c	–	3.1

BANKS, HP & LEASING

Hire Purchase, Leasing, (Ex£

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

1988/89 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
126	70	HTV Ord	125	......	t3.9	3.6	4.2	8.9
192	45	Hanimex A$0.25	192	+30	Q15c	4.7	3.8	5.6
163	112	Hi-Tec Sports	113	−1	L3.6	3.4	4.2	8.2
32	13	Int'l Media Cons. 5p	18	−½	—	—	—	—
79	49	Juliana's Hldgs 2p	72	......	t2.85	1.4	5.3	15.8
53½	32	Kunick 10p	50	......	1.4	2.4	3.7	14.1
193	122	LWT 5p	180	+1	5.7	2.6	4.1	12.0
448	183	LandLeisure 10p	418	......	t8.0	4.6	2.6	11.1
*118	68	Leisure Inv 10p	109xr	+2	1.75	1.4	2.2	(33.2)
*112	64	Leisuretime Int 10p	82	+1	—	—	—	—
529	235	Marina Dev. 50p	525xd	+1	ttm2.0	3.5	0.5	—
218	156	Mecca Leisure 10p	191	+1	4.9	♦	3.1	♦
127	79	Madminster 10p	118	−3	3.67	2.6	4.1	12.5
199	110	Metro Radio Grp 5p	194	......	L3.0	2.3	2.1	22.4
224	126	Midsummer Leis 10p	224	+4	2.8	3.1	1.7	23.9
525	200	Miss World 10p	520	+2	8.0	2.6	2.1	25.4
62	30	Moltare Visions 50p	30	......	—	—	—	—
155	120	Noble Raredon 5p	142	−1	h1.55	1.5	1.3	70.2
187	87	Orient Ex Htls $0.125	163	−8	—	—	—	—
*89	61	Owners Abroad 5p	81	......	t2.1	1.9	3.5	24.3
180	108	Pavilion Leisure 10p	112½	......	—	—	—	—
306	55	P'dilly Radio NV5p	294	+9	t3.25	2.6	1.5	34.7
264	175	Pickwick	238	......	t2.6	2.9	1.5	31.1
*233	139	Pleasurama 7pc Pf	218	......	7%	—	4.3	—
150	113	Prestwich	123	......	1.25	7.5	1.4	13.1
144	78	Prism Leisure 10p	140	......	t4.46	2.6	4.2	11.8
*254	122	Quadrant Group 10p	236	......	F3.6	3.4	2.0	20.1
470	97	Radio City 'A' NV	470	......	6.0	4.2	1.7	18.6
296	89	Radio Clyde	296	+1	5.75	2.9	2.6	18.0
610	494½	Really Useful Grp 5p	602	+2	15.0	2.3	3.3	17.7
263	169	Saga Group 20p	263	......	Z5.75	1.2	2.9	47.7
110	78	Scott. Ice Rink 2½p	84	......	—	—	—	—
434	343	Scott. TV 10p	429	......	t17.0	3.0	♦	8.5
20½	10	SelecTV 10p	19	......	—	—	—	—
63	26	Spectrum 5p	37	−1	—	—	—	28.7
292	197	Stanley Leisure	269	......	t5.6	3.8	1.8	19.5
300	85	Sunset & Vine 5p	272	......	L2.4	2.9	1.2	39.9
76	62	TSW 5p	75	+1	3.15	2.6	5.6	9.2
188	129	TV-am 5p	188	+3	t4.5	3.6	3.2	11.6
362	286	TVS Entertain 10p	333xd	......	13.25	♦	5.3	♦
116	96	Do. 7.4pc Prf	115	......	7.4%	—	8.6	—
447	302	Thames TV	447	......	t13.2	3.0	3.9	11.2
133	95	Tottenham Hotspur	121	......	5.0	1.4	5.5	16.4
*87	57	Trillion 10p	59	+1	y1.1	3.5	2.6	12.4
421	254	Tyne Tees 50p	417	......	t13.75	2.8	4.4	10.7
118	64	Ulster TV	118	+1	4.75	2.8	5.4	8.9
155	77	Wembley 5p	118	......	1.1	0.1	1.2	—
88	36	Williams (Rex) 5p	43	+3	t0.62	1.6	♦	43.0
52	43	Woodington	51	......	—	—	—	—
283	168	Yorkshire TV	281	+2	9.6	2.8	4.6	10.1
186	90	Zetters Grp 5p	185	......	6.0	1.8	4.3	16.7

MOTORS, AIRCRAFT TRADES

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
269	164	General Motors	260xd	+3	Q25c	—	5.3	—
350	237	Jaguar	318	+1½	10.5	2.1	4.4	12.8
127	49	March Group 5p	50	......	t4.2	2.1	♦	5.4
*47	28	Reliant Motor 10p	41	......	0.5	3.9	1.6	15.6
£38¾	£25¼	Volvo Kr25	£38¾	+¼	Q42%	2.8	2.5	14.6

Commercial Vehicles

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*496	177½	ERF (Hldgs)	450xr	−5	F15.0	5.8	4.4	7.2
248	130	Plaxton	248	+3	t4.5	1.5	2.4	34.0

Components

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
425	375	Abbey Panels	390	......	3.0	8.2	1.0	16.2
222	125	Airflow Streamlines	222	......	5.0	3.7	3.0	11.9
170	116	Armstrong Eq. 10p	149	......	t4.0	2.6	3.7	19.1
90	70	BTS 10p	90	......	t4.25	0.3	6.3	—

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
237	150	Royal Sovereign 10p	195	−2	14.6	1.9	3.1	18.2
26	20	Scott Pickford 10p	20½	......	3.1	0.7	20.2	10.6
116	68	Seacon Hldgs	111	+3	Z1.0	—	1.2	—
15½	7	Sonic Tape 2½p	10	+½	n—	—	—	13.1
27	15	Staks Hldgs. 5p	15	......	—	—	—	17.8
*4½	1¾	Swanyard Studios 1p	2¼	+¼	—	—	—	♦
350	200	Takare	335	......	b1.0	8.1	0.4	34.4
36	26	Tomorrows Leisure 20p	32	+2	—	—	—	15.9
25	13½	Tullow Oil 10p	16½	−½	—	—	—	—
135	100	UPL Group 10p	101	+1	L2.41	4.3	3.2	13.7
182	120	Unit Group	145	−2	F7.5	2.9	6.9	8.2
17½	12½	Whitegate Leisure 20p	15½	......	—	—	—	—
13	6	Do. Wrrnts	13	+1	—	—	—	—
6½	2	Wilton Group 1p	5	......	—	—	—	—

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ *Not officially listed.*
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on *assumption Treasury Bill Rate stays unchanged until maturity of* stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C *Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89.* G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	77	......
Craig & Rose £1	710	......
Finlay Pkg. 5p	89	......
Holt (Jos) 25p	1238	−5

IRISH

Stock	Price	+ or −
Cap. 8½% Ln 1991	£99½	......
9pc Cap Ln. 1996	£100	......
Fin. 13% 97/02	£122¼	......
Arnotts	475	+50
Carrol (P.J.)	159	+5
Hall (R. & H.)	172	−3
Heiton Hldgs	70xd	......
Irish Ropes	180	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	(OFx£
Allied-Lyons	40
Amstrad	18
BAT	48
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	33
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Stock	Rate
Brit Land	30
Land Securities	52
MEPC	50
Peachey	54

Oils

Stock	Rate
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	85
Ultramar	21

Mines

Stock	Rate
Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sentiment turns against dollar

SENTIMENT TURNED against the dollar yesterday, as recent signs of inflationary pressure in the US have failed to push the currency through upward resistance points of around DM1.8800 and Y130.00.

A larger than expected rise of 0.6 per cent in January US retail sales did not provide support, although this was partly because January's rise was offset by a revised fall of 0.1 per cent in December from a rise of 0.2 per cent.

Doubts about the timing of any monetary tightening in the US and Europe overhung the foreign exchanges. Recent figures on wholesale prices have suggested that inflationary pressure in the US and West Germany is increasing, but this has not yet reached a point where dealers are certain that the Federal Reserve and Bundesbank are about to act on interest rates.

Some dealers believe the Federal Reserve has already started to tighten its stance, following Friday's sharp rise in January US producer prices, but when or whether this will result in a discount rate increase remains in doubt.

There was little help for the dollar from the interest rate picture in Europe, where economic news pointed towards credit tightening. West German wholesale prices rose sharply by 1.7 per cent in January, compared with 0.8 per cent in December, taking the year-on-year rise in prices up to 5.1 per cent from 3.15 per cent.

The dollar was sold in the Far East on a Japanese news agency report that the US Senate Banking Committee is in favour of a fall to Y120. This was later denied in Washington, but the US currency did not recover.

Dealers in Tokyo began to look for opportunities to unwind long dollar positions. It was suggested that the dollar has reached a near term peak close to Y130 and is now set to decline. This mood continued, and the slide of the currency was not reversed when Europe and New York took over the market.

When the US retail sales news failed to lift the dollar it quickly fell through a technical support point of DM1.8580, closing in London at DM1.8485 compared with DM1.8700 on Monday. The dollar also fell to Y126.55 from Y128.40; to SFr1.5685 from SFr1.5890; and to FFr6.2875 from FFr6.3625. On Bank of England figures the dollar's exchange rate index fell to 66.9 from 67.5.

Sterling improved against a weak dollar and held steady against other major currencies. In common with the US and Germany, the main worry in the UK is rising inflation against a background of rising wholesale prices. On Monday it was announced that UK factory output prices rose sharply by 1 per cent in January. This was a setback to hopes of an early cut in UK bank base rates but has provided the pound with support.

Sterling rose 2.15 cents to $1.7700. It also improved to DM3.2725 from DM3.2700 and to FFr11.1300 from FFr11.1250. The pound was unchanged at SFr2.7775, but eased to Y224.00 from Y224.50. Sterling's index rose 0.1 to 97.9.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.7529	+3.05	+0.95	±1.5344
Danish Krone	7.85212	8.11833	+3.39	+1.29	±1.5404
German D-Mark	2.05853	2.08776	+1.42	-0.68	±1.0981
French Franc	6.90403	7.10158	+2.86	+0.76	±1.3674
Dutch Guilder	2.31943	2.35681	+1.61	-0.49	±1.5012
Irish Punt	0.768411	0.781789	+1.74	-0.36	±1.6684
Italian Lira	1483.58	1520.09	+2.46	+1.12	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

£ IN NEW YORK

Feb.14	Latest	Previous Close
£ Spot	1.7610-1.7620	1.7540-1.7450
1 month	0.48-0.47pm	0.46-0.45pm
3 months	1.39-1.36pm	1.35-1.33pm
12 months	3.72-3.65pm	3.69-3.59pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Feb.14	Previous
8.30 am	98.0	97.9
9.00 am	97.9	97.9
10.00 am	97.9	97.9
11.00 am	97.9	97.9
Noon	97.9	97.9
1.00 pm	97.9	97.8
2.00 pm	97.9	97.7
3.00 pm	97.9	97.7
4.00 pm	97.9	97.8

POUND SPOT- FORWARD AGAINST THE POUND

Feb.14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7560 - 1.7705	1.7695 - 1.7705	0.46-0.43cpm	3.02	1.36-1.31pm	3.02
Canada	2.0790 - 2.0925	2.0915 - 2.0925	0.32-0.19cpm	1.46	0.76-0.56pm	1.26
Netherlands	3.68½ - 3.70	3.69 - 3.70	1⅞-1⅝cpm	5.68	5½-5¼pm	5.82
Belgium	68.35 - 68.80	68.70 - 68.80	31-25cpm	4.89	87-79pm	4.83
Denmark	12.72 - 12.73½	12.72½ - 12.73½	5¼-4⅝orepm	4.60	15-14¼pm	4.60
Ireland	1.2230 - 1.2285	1.2245 - 1.2255	0.53-0.48cpm	4.95	1.50-1.40pm	4.73
W. Germany	3.26½ - 3.27¼	3.27 - 3.27½	1¼-1⅛pfpm	6.18	5¼-5pm	6.18
[illegible]						

Belgian rate is convertible francs. Financial franc [illegible]. Six-month forward dollar [illegible].

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible].

CURRENCY RATES

[illegible]

*All SDR rates are for Feb.13

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) *Rates are for Feb.13

EURO-CURRENCY INTEREST RATES

[illegible]

OTHER CURRENCIES

Feb.14	£	$
[illegible]		
Iran	123.50*	69.15*
Korea(Sth)	1186.65 - 1196.20	675.10 - 680.70
Kuwait	0.50540 - 0.50650	0.28780 - 0.28790
Luxembourg	68.70 - 68.80	38.80 - 38.90
Malaysia	4.7945 - 4.8060	2.7310 - 2.7330
Mexico	4050.35 - 4069.55	2305.00 - 2315.00
N. Zealand	2.8340 - 2.8390	1.6105 - 1.6130
Saudi Ar.	6.5875 - 6.5980	3.7505 - 3.7515
Singapore	3.3875 - 3.3930	1.9280 - 1.9300
S. Af (Cm)	4.3210 - 4.3360	2.4600 - 2.4650
S. Af (Fn)	6.9205 - 7.0630	3.9370 - 4.0160
Taiwan	48.40 - 48.65	27.55 - 27.65
U.A.E.	6.4495 - 6.4620	3.6725 - 3.6735

*Selling rate

EXCHANGE CROSS RATES

Feb.14	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]										
YEN	4.464	7.902	14.61	1000.	49.69	[illegible]				
F Fr.	0.898	1.590	2.941	201.3	10.	[illegible]				
S Fr.	0.360	0.637	1.178	80.63	4.006	1	[illegible]			
H Fl.	0.271	0.479	0.886	60.62	3.012	[illegible]				
Lira	0.419	0.742	1.373	93.96	4.669	[illegible]				
C $	0.478	0.846	1.565	107.1	5.320	[illegible]				
B Fr.	1.455	2.575	4.761	325.8	16.19	[illegible]				

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Short pound nears cash parity

SHORT STERLING futures continued to move down on Liffe, towards convergence with present cash rates of around 13 per cent. The market no longer expects a cut in UK bank base rates by delivery of the contract on March 15, and at a level of 87.09 there does not appear to be much room for further adjustment.

Turnover is now picking up in the June month, which traded over 7,500 lots yesterday, compared with around 10,500 for March. There is obviously more scope for possible rate cuts by June, but unless there is a marked improvement in the inflationary picture it could be that yesterday's price of 87.68 for June delivery will also prove optimistic. The present level discounts a cash three-month rate of around 12⅝ per cent, suggesting two cuts in base rates between now and delivery.

March West German Government bonds weakened to 94.18, from 94.31, but finished well above the day's low of 94.06.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
94	362	511	0	5
95	—	416	—	10
96	200	325	2	19
97	—	236	—	30
98	15	159	17	53
99	—	122	—	116
100	2	57	204	151

Estimated volume total, Calls 2109 Puts 1855
Previous day's open int. Calls 42824 Puts 25272

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	648	658	0	16
84	449	509	1	33
86	250	338	2	62
88	62	220	14	144
90	6	121	122	245
92	2	46	318	406
94	1	24	517	548

Estimated volume total, Calls 490 Puts 582
Previous day's open int. Calls 3157 Puts 3720

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Puts-settlements Mar
19500	1331	41
20000	907	117
20500	559	269
21000	—	—
21500	—	—
22000	—	—
22500	—	—

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 0

LIFFE £/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

LONDON SE £/$ OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 44,061
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Pressure rises

PRESSURE FOR higher European interest rates built up yesterday. Call money in Frankfurt hovered around the 6 per cent Lombard emergency financing rate, amid discussion in the money market about the chances of a further tightening of credit policy at tomorrow's Bundesbank council meeting.

It was suggested that the central bank will not wish to be rushed into a third increase in rates within eight weeks, but the arguement for tighter policy was strengthened by yesterday's announcement of a sharp rise in January West German wholesale prices.

UK clearing bank base lending rate 13 per cent from November 25

The result of this week's securities repurchase agreement tender from the Bundesbank will be made known today. It is likely that banks bid aggressively for the 28-day funds offered. There was again no minimum bid rate. At last week's tender rates of 5.75 per cent to 5.90 per cent were paid, but the range of bids is expected to have moved higher this week.

In Paris call money eased to 8$\frac{11}{16}$ per cent from 8$\frac{13}{16}$ per cent, but dealers said the Bank of France would defend the franc by matching any rise in German interest rates.

The Belgian National Bank reacted to the trend towards higher rates with an increase in short term Treasury certificate rates. The key three-month rate was raised 0.15 per cent to 8.10 per cent, while one and two-month rates were increased 0.10 per cent to 7.70 per cent and 7.90 per cent respectively.

In London the present circumstances do not point to any early reduction in bank base rates. Three-month sterling interbank firmed to 13$\frac{1}{16}$-12$\frac{15}{16}$ per cent from 13-12$\frac{13}{16}$ per cent.

Day-to-day credit conditions were reasonably comfortable in London. The Bank of England initially forecast a money market shortage of £100m, but revised this to £150m at noon, and to £200m in the afternoon.

The authorities did not operate in the market before lunch, but in the afternoon bought £231m bills outright, by way of £100m bank bills in band 1 at 12⅞ per cent; £29m bank bills in band 2 at 12$\frac{13}{16}$ per cent; £30m bank bills in band 3 at 12$\frac{11}{16}$ per cent; and £72m bank bills in band 4 at 12⅝ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £517m. This outweighed Exchequer transactions adding £300m to liquidity, a fall in the note circulation of £50m and bank balances above target of £50m.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.14) 3 months US dollars | 6 months US Dollars

[illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

CROSSWORD

No.6,861 Set by FETTLER

ACROSS

1 A drip raised in winding Malaga street (6)
5 Do ripe bananas age? (6)
9 Tires; recovers and walks again (8)
10 Dormant, as the French record (6)
11 Many see mouse run - scuttling (8)
12 Put on a spit, I'm looking wan (6)
14 Neatly encompassed on th' exact start of 21 (10)
18 When rent or interest was paid; every 6 hours or once in every 21 (10)
22 Disinter late philosopher (6)
23 Turned sober in Ireland - not quite a subject of mockery (8)
24 Rake dissipated in lewd extremes and made merry (6)
25 Working spent Sam Franks (8)
26 Arches topped long crests (6)
27 Carry a club; that's one way to deal with friction (4-4)

DOWN

1 Leap like a 21 (6)
2 Fall like a 21 (6)
3 Tire - to be dressed in perpetuity (6)
4 Such as the Sun? Uncommon way to cook steak (6,4)
6 Devour seed which, fully ingested, will give relief (8)
7 Dodgy German eight, though bowless, skims across the surface (3-5)
8 Fungicide sprayed in small yard. Help! (8)
13 I'm a card - game for display of captiousness (10)
15 Here's grass for young pigeon (8)
16 Assembled to wander about that place (8)
17 Panic-stricken herd pressed to the east (8)
19 Women bury a 21 (6)
20 Adder is a 21 (6)
21 Salt: a sailor boy perhaps? (6)

Solution to Puzzle No.6,860

JOTTER PAD

WORLD STOCK MARKETS

CANADA

TORONTO
4pm prices February 14

MONTREAL
4pm prices February 14

Total Sales 5,037,790 shares.

INDICES

NEW YORK DOW JONES

	Feb 14	Feb 13	Feb 10	Feb 9	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2281.25	2282.5	2286.07	2323.04	2347.14 (7/2/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.02	89.11	89.13	89.56	91.25 (3/3/88)	86.12 (4/1/88)	-	-
Transport	1062.10	1068.08	1059.99	1068.89	1087.97 (7/2/89)	737.57 (21/1/88)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	186.05	187.11	186.23	188.00	191.15 (24/1/89)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2308.04 (2295.71) Low 2274.82 (2266.07)

STANDARD AND POOR'S	Feb 14	Feb 13	Feb 10	Feb 9	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	291.81	292.54	292.02	296.06	299.63 (7/2/89)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	336.78	337.39	337.26	342.16	346.41 (7/2/89)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	26.57	26.65	26.47	26.94	27.24 (7/2/89)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	163.94	164.15	164.01	166.13	168.02 (7/2/89)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	322.96	321.76	322.77	325.36	327.23 (8/2/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	402.02	401.27	402.37	406.39	409.19 (7/2/89)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Feb 10	Feb 3	Jan 27	year ago (approx.)
Dow Industrial Div. Yield	3.63	3.45	3.46	3.48
	Feb 8	Feb 1	Jan 25	year ago (approx.)
S & P Industrial div. yield	3.05	3.05	3.12	3.09
S & P Indl. P/E ratio	13.85	13.79	13.40	16.29

TRADING ACTIVITY † Volume

Millions	Feb 14	Feb 13	Feb 10
New York	149.560	143.520	173.560
Amex	9.980	10.330	11.180
OTC	(u)	114.490	132.731

NEW YORK	Feb 14	Feb 13	Feb 10
Issues Traded	1,939	1,961	1,967
Rises	771	597	300
Falls	663	860	1,221
Unchanged	505	504	446
New Highs	32	14	25
New Lows	16	19	14

CANADA

TORONTO	Feb 14	Feb 13	Feb 10	Feb 9	1988/89 High	1988/89 Low
Metals & Minerals	3419.7	3400.8	3431.3	3505.9	3564.9 (6/2/89)	2238.7 (8/2/88)
Composite	3629.7	3589.7	3594.7	3652.1	3696.1 (8/2/89)	2977.9 (8/2/88)
MONTREAL Portfolio	1791.42	1784.47	1786.68	1819.19	1850.44 (8/2/89)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Union Carbide	6,340,400	31⅛	+ 2	Burlington	1,710,500	48⅞	+ 1⅝
Anacomp	2,684,700	5⅜	- ⅞	Philadel Elect	1,545,500	20⅞	- ⅛
Lilco	2,434,400	14⅞	+ ½	Exxon	1,538,700	44⅞	- ⅝
General Motors	1,860,200	88⅝	- 3⅛	Pan Am	1,335,500	4⅛	---
AT&T	1,777,900	31	- ⅜	Coleman	1,300,900	70⅛	+ 21

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Feb. 14	Feb. 13	Feb. 10	Feb. 9	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1485.6	1478.8	1509.0	1513.6	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	673.5	670.5	689.5	690.7	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	239.16	238.89	238.20	237.52	239.16 (14/2/89)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	5821.33	5825.26	5834.01	5813.71	5834.01 (10/2/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	291.04	291.12	291.83	291.57	291.83 (10/2/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	782.4	776.4	772.4	767.6	782.4 (14/2/89)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	447.1	449.4	454.1	(u)	457.1 (3/2/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	104.3	105.0	106.7	(u)	108.1 (3/2/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	561.98	562.49	566.84	567.33	569.27 (8/2/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1678.4	1680.2	1693.7	1695.8	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1331.47	1333.77	1353.22	1347.42	1371.10 (5/1/89)	931.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	3099.97	3153.73	3184.16	3209.96	3209.96 (9/2/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	578.72	577.67	579.08	579.97	615.89 (17/1/89)	423.91 (9/2/88)
JAPAN						
Nikkei (16/5/49)	31982.89	31985.32	32131.99	32078.4	32131.99 (10/2/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2473.46	2478.82	2485.71	2489.07	2490.07 (8/2/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	305.3	304.4	308.3	310.1	310.7 (8/2/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	266.1	267.0	270.8	271.4	272.7 (8/2/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	537.91	534.04	547.28	549.07	549.44 (30/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1120.17	1139.70	1156.04	1156.39	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1309.0§	1324.0	1371.0	1378.0	1451.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2184.0§	2207.0	2246.0	2246.0	2246.0 (9/2/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	275.61	277.42	279.26	279.56	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3642.6	3629.8	3657.4	3635.4	3657.4 (10/2/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	647.6	644.4	644.0	640.6	647.6 (14/2/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	511.1	514.1	516.6	516.6 (8/2/89)	401.0 (21/1/88)

§Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Tuesday 14 February 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NKK	118.0m	1,010	+29	Toshiba	45.3m	1,160	+40
Asahi Chemical	65.8m	1,320	+20	Kobe Steel	40.5m	830	+21
Japan Steel Works	60.4m	950	+100	Sumitomo Realty	38.7m	2,140	-50
Nippon Express	47.1m	1,670	+40	Fujita	28.9m	1,570	-70
Furukawa Electric	45.3m	695	+17	Acid Corp	27.0m	1,430	-10

AMEX COMPOSITE PRICES

4pm prices February 14

4pm prices February 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		— A—A—A —								
29⅛	19¼	AAR	.44	1.7	16	397	25⅝	25¼	25½	− ⅛
10⅛	8⅜	ACM n	1.01	11.		160	9	8⅞	8⅞	− ⅛
12⅛	10¼	ACMIn	1.28a	12.		272	11	10⅞	10⅞	
10⅛	8½	ACM M n1.01		11.		304	9¼	9	9⅛	
12⅛	10⅛	ACM Sc1.38		12.		644	11⅛	10⅝	10¾	
10⅛	8½	ACMSp n.75e		8.5		850	8⅞	8¾	8⅞	
5¼	2⅞	AMCA	.12e	3.0		1	4	4	4	+ ⅛
8¼	3⅛	AM Intl				338	5⅝	5⅝	5⅝	
23⅛	18⅛	AM Int pf	2	8.9		21	22¼	22½	22½	
62⅛	35¼	AMR			7	3616	59¼	58⅝	58¾	− ⅛
26¼	25	ANR pf	2.67	11.		4	25¼	25⅛	25¼	− ⅛
9½	5	ARX				341	5⅜	5¼	5⅜	
48¾	35¼	ASA	3a	7.5		688	40¼	39⅝	39⅞	
20¼	14¼	AVX	.24	1.4	9	88	17⅞	17¼	17¼	
52⅛	42⅞	AbtLab	1.20	2.5	15	5088	48¾	48⅛	48½	+ ⅛
20¾	15⅛	Abitibi g	1			17	17½	17¼	17½	+ ⅛
13⅞	7½	AcmeC	.40	3.6		351	11½	10⅞	11	+ ⅛
8⅞	5⅞	AcmeE	.32b	5.1	22	3	6¼	6¼	6¼	
29½	18¾	Acusn			23	1060	27	26¼	26⅝	+ ⅝
17	14½	AdaEx	1.83e	12.		213	15	14⅞	14⅞	− ⅛
16⅞	7¼	AMD			78	3145	8⅞	8⅝	8⅝	− ⅛
8½	5⅞	Adobe				167	7½	7¼	7½	+ ⅛
18½	16½	Adob pf	1.84	11.		3	17½	17½	17½	+ ⅛
21⅛	20	Adob pf	2.40	12.		4	20⅝	20½	20½	
8⅛	6⅞	Advest	.12	1.5	19	23	8¼	8⅛	8¼	
52½	38½	AetnLf	2.76	5.5	8	2989	50	49½	49¾	− ⅛
44½	24	AhPS s	.22	.6		882	40⅛	39⅝	39⅝	− ⅛
18⅛	13¼	Ahmans	.88	5.0	9	1286	17⅞	17½	17⅝	− ⅛
4⅝	1⅞	Aileen			21	5	3⅝	3⅝	3⅝	
53⅝	37⅞	AirPrd	1.20	2.7	11	1297	45⅞	45	45⅛	+ ⅛
24	15⅛	AiroFrt	.60	2.7	22	59	22¼	22½	22½	− ⅛
18	10⅞	Airgas			18	82	16½	16⅛	16⅛	+ ⅛
20	17⅛	Airlease	2.40	12.	9	13	19⅝	19⅝	19⅝	+ ⅛
28½	22½	AlaP	pf2.05e	8.5		60	24¼	24¼	24¼	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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FINANCIAL TIMES

Continued on Page 47

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– X–Y–Z –								
66⅜	50¼	Xerox	3	4.7	18	4708	64¼	63⅝	63⅝	– ⅜
44⅝	28⅜	XTRA	.72	1.8	14	220	40¼	39⅝	39⅝	
33	26	XTRA pf1.94		6.4		22	30¼	30	30¼	+ ⅛
3⅞	2	Zapata				857	2⅜	2⅜	2⅜	– ⅛
27⅞	18½	Zayre	.40	1.6	169	968	25⅞	25½	25⅝	– ⅛
15½	10	Zemex	.40	3.4	24	5	11¾	11¾	11¾	– ⅛
30	15⅝	ZenithE				936	20⅛	19⅝	19⅝	
10¾	8⅝	Zenix n .69e		7.2		x116	9⅝	9⅝	9⅝	
3	1	vjZenLb				1224	2	1¾	2	+ ⅛
21⅝	15	ZeroNl	.80b	4.4	8	88	18⅛	18⅛	18⅛	+ ⅛
19⅞	13	Zero	.44	2.3	16	134	19⅝	19¼	19½	+ ⅜
29⅛	19	Zurmin	.68	2.5	15	257	27⅝	26⅞	27	– ⅝
11¼	8⅝	Zweig	1.08e	10.		211	10½	10⅜	10½	
10⅛	9	ZweigT n.24e		2.6		611	9⅜	9¼	9⅜	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices February 14

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

AMERICA

Fading confidence wipes out early rebound

Wall Street

EQUITIES lost confidence yesterday, after a modest rebound *earlier in the day had seemed* to be putting an end to the market's substantial fall over the last four sessions, *writes Janet Bush in New York.*

The Dow Jones Industrial Average closed 1.25 points lower at 2,281.25. It had registered a loss of 15 points in early trading and then piled on a rise of 15 points before falling again. Volume was moderate, with 149.5m shares traded.

The Dow's slight fall followed its 64.64 point drop over *the previous four trading days,* as the index buckled under the weight of a lower dollar and weak bond market.

This weakness in other markets was partly related to further uncertainty about interest rate policy, after remarks by President George Bush that he was not overly concerned about inflation and would not like to see a further tightening by the US Federal Reserve. These remarks come at a time when many analysts believe the Fed is tightening slightly or is about to.

President Bush's comments were no surprise to financial markets, in as much as they are aware of the Administration's desire to maintain growth and avoid a recession at all costs. One pressing reason to keep growth going, even at the expense of slightly higher inflation, is the budget deficit.

The President's deficit-cutting plans have built in an assumption of real economic growth of more than 3 per cent – above what most analysts believe is the US Federal Reserve's comfort threshold in terms of inflation.

There has been growing concern, at least in the bond market, that the Fed's line has softened on how fast the economy can grow without igniting higher inflation. That figure had been around 2.5 per cent, but comments by various Fed officials in recent weeks have suggested that the Fed has moved its comfort threshold nearer to 3 per cent, closing the gap between its view and the Administration's.

In theory, this is not as clear a concern to the stock market as to the bond market. Equities can do well as long as the economy continues to grow and inflation does not move sharply higher. A modest rise in inflation and continued growth would ensure decent rises in corporate profits.

The equity market appeared to make little reaction to news of a 0.6 per cent increase in retail sales in January, compared with forecasts of a rise of between 0.1 per cent and 0.2 per cent. This figure appeared to show that consumer demand had remained robust into the new year.

Union Carbide was the most heavily traded share on the New York Stock Exchange after news that the company had finally reached a $470m settlement with the Indian Government on claims relating to the Bhopal disaster. This was a modest sum compared with the $3bn settlement sought by India. Union Carbide rose $2 to $31⅛.

General Motors dropped $3 to $88⅞ after it announced fourth quarter earnings of $2.12 a share compared with $1.18 a year ago. This was in line with expectations, but the stock had already risen strongly after news of a stock split and an increased quarterly dividend.

Coleman soared $21 to $70⅞ after the company said that its chairman planned a leveraged buy-out worth $64 a share. Its board was meeting yesterday to consider the proposal.

Pennwalt gained $7⅞ to $113⅞ after Centaur Partners improved its takeover offer by $10 a share to $110 a share.

Canada

RISING energy stocks and gold shares helped Toronto move sharply higher in light trading. The composite index advanced 40.0 to 3,629.7 on turnover of 21.9m shares.

Frankfurt second liners take lead

Foreigners are looking for special stories, writes Hilary de Boerr

INVESTORS in Frankfurt are taking a second look at second liners now that the leading blue chips have moved into the red.

The underperformance of top stocks this year has put the spotlight on less popular shares, and analysts are poring through company lists to find the next special story. Fund managers in London typically invest up to a third of their Continental European funds in Germany, so the search for performance is paramount.

The move to the second shelf could presage a longer-term change in foreign investment attitudes to a stock market normally followed for big names such as Daimler, Deutsche Bank and Siemens. Or it could be simply a short-term phenomenon, as investors search for other possible outperformers after an extremely good run last year by the majors.

Analysts are divided over whether the tide has turned. "I think it (the switch to second liners) will continue throughout the year at a more measured pace. Germany is definitely a stock picking market for this year," says Mr Mark Hawtin at Ark Securities.

At Citicorp Scrimgeour Vickers, Mr Brian Wilkinson, German analyst, cautions: "I don't think by any means that one can write off the blue chips at this point of the year. It doesn't mean a blue chip rally is over, it could just mean a phase of rest before moving back to blue chips."

In December, Deutsche Bank and Siemens jumped by 9.6 per cent and 12.5 per cent respectively, well above the rise in the German market of 4.1 per cent, according to the FT-Actuaries World Indices. This year, the FT-A German index has risen 2.1 per cent, while Deutsche Bank has dropped 5.9 per cent and Siemens 1.1 per cent.

Meanwhile, second line stocks such as steel group Klöckner, up 46 per cent this year, and construction company Holzmann, 16.6 per cent higher, have clearly outperformed the market.

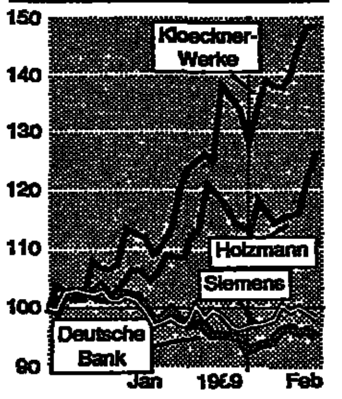
The switch out of the majors is also underlined by the performance of the market's two main indices this year. The DAX, covering just 30 top stocks, has remained fairly *steady* – up 0.27 per cent – while the widely-spread FAZ index has risen by 2.2 per cent.

The belief that the economic cycle could be nearing its peak – with a concomitant decrease in the rate of corporate earnings growth and smaller earnings per share for the big cyclical stocks – has helped stimulate the search for companies best able to weather any possible storm. Favoured second liners lie in the steel and mechanical engineering sectors – which in the short-term, at least, still have healthy order backlogs – and special situations such as construction companies, chemicals and breweries.

"The industrial cycles of the *smaller to medium-sized companies* tend to be more specialist and better adapted to keeping the order book up and earnings progression growing, even in a tighter market," says Mr Jamie Stewart, European salesman at Baring Securities. He believes the big blue chips are looking fully valued, given *the prospect of a stronger* D-Mark and its depressive effect on exports, and the fact that domestic industrial capacity constraints have largely been addressed.

Stocks with undervalued assets, possible takeover plays or high yield defensive issues are all being recommended as the way forward.

Warburg Securities believes the shift to second liners is a fundamental one, "not to be simply dismissed as sectoral rotation and a loss of quality market leadership ahead of a slump." Instead of the old asset allocation approach – where investors choose the market, and hence the large capitalisation issues, rather than indi*vidual shares – stock selection* will be the name of the game.



As Mr Miko Giedroyc, equity strategist, puts it, "1988 marked the re-rating of the blue chips in addition to a few sectoral bets; 1989 is likely to require investors to know exactly why they are holding each and every stock."

From international investors' points of view, the switch would mean a fall in the weighting given to the German market as blue chip holdings are reduced in favour of lower capitalisation stocks. But most foreign investors are expected to stick with names they know, *such as Mannesmann, Linde,* Veba and Thyssen.

EUROPE

Turnover suffers as rate worries loom large again

INTEREST rates were still the main topic of discussion yesterday on European bourses, leaving trading cautious and turnover low, *write Our Markets Staff.*

FRANKFURT had a mixed day as the hesitant mood over interest rates continued. Investors are awaiting a series of pointers starting with today's Bundesbank security repurchase pact allocations and the US capacity utilisation figures for January.

The Bundesbank council meets tomorrow, with the possibility of a further interest rate rise on the agenda, and Friday sees the December US trade figures. To add to the pressure for a cautious stance, the subscription period to Deutsche Bank's rights issue begins next Monday.

Volume was consequently thin again at DM2.6bn worth of domestic shares, with investors apparently as reluctant to buy as to sell. A stronger than expected rise in January wholesale price inflation was worrying for a nervous market, although a slightly weaker dollar was seen as positive.

The FAZ index eased 0.51 at midsession to 561.98, supported by gains in selected second liners, and the DAX finished 2.3 easier at 1,331.47.

Among the blue chips, Daimler added DM1.30 to DM663 after announcing it would seek a listing in Tokyo and indicating its planned capital increase would take place within the next year, which some analysts took to mean not necessarily in 1989 as expected.

Computer stock Nixdorf dropped DM8 to DM332. The company said it would propose a cut in its dividend to DM4 from DM10 after an unsatisfactory profits performance in 1988. Mr Klaus Luft, the management board chairman, also said Nixdorf was not up for takeover – bid speculation has underpinned a sharp recovery in the share price recently.

PARIS responded again to the early trend on Wall Street, managing to make up some lost ground towards the close.

But volumes were generally uninspiring, as the interest rates bugbear continued to *take its toll.* The CAC 40 index fell 6.79 to 1,644.15 and the OMF 50 index lost 0.35 to 463.28.

WEST GERMAN construction company Philipp Holzmann strode higher again in an otherwise lacklustre market, climbing DM14 to DM673. The stock, which has jumped 15.6 per cent so far this year, has been fuelled by speculation about its property assets. Yesterday the company said it was confident of winning an order worth at least DM250m for a high-rise office building in Frankfurt.

One analyst said the company appeared expensive on a prospective price/earnings ratio of 18.75 (adjusted for its rights issue), but was cheap compared with its own past multiples of as high as 53 and a building sector p/e of 30.4. Fundamentals such as strong earnings growth and increasing profitability of building contracts made it more than just an asset play, he added.

Privatised bank CCF was the busiest stock as a large block of shares changed hands in an agreed deal. The stock added FFr3.80 to FFr218.90 with about 337,000 shares traded.

Arjomari-Prioux, the paper group, lost FFr108, or 4 per cent, to FFr2,582 on news that it is considering counter-bidding for Aussedat-Rey, which already faces a friendly bid from International Paper.

Peugeot continued to oscillate, responding initially to the previous day's good news on car sales. It ended FFr24 lower at FFr1,596, having been up FFr20 and off FFr45.

ZURICH saw active trading, closing higher in spite of interest rate concerns. The Credit Suisse index rose 4.4 to 547.1.

UBS, the bank, saw its bearers fall SFr20 to SFr3,100 on news of losses at its London securities operations, but ended off its low of SFr3,090 and later said its subsidiary Phillips & Drew was back in profit last month.

Schindler, announcing the closure of three West German units of its loss-making Also Holdings group, picked up SFr150 to SFr5,450.

AMSTERDAM crept up at the close after Wall Street's firmer start, but trading remained thin and cautious.

The CBS tendency index was up 1.4 at 163.7.

Newly-listed chemical stock DSM met good institutional demand and rose Fl 1.70 to Fl 113.80. Steel stock Hoogovens rose 90 cents to Fl 81.40 after taking a 30 per cent stake in Namascor, a Dutch steel plate cutting company, giving it joint ownership with Klöckner of West Germany, Finsider of Italy and Mitsubishi of Japan.

MILAN ended another quiet session slightly higher with the Comit index up 1.05 at 561.98. Fiat's ADR listing in New York failed to help the Milan share price, which eased L12 to L9,253.

La Fondiaria rose L1,120 to L71,530 following plans for a L600bn capital increase and its forecast yesterday of higher 1988 profits.

MADRID had another attack of nerves in anticipation of inflation figures due by early next week, and the general index dropped 1.8 to 275.61.

Insurance stocks were firm, however, with Union y el Fenix picking up 30 points to 2,445 percentage points and Mapfre climbing 20 to 1,590. One analyst said the fundamentals were good – the nascent domestic insurance market holds great growth potential – *and there are continuing* rumours Fenix will be sold off by Banesto when the bank merges with Banco Central.

OSLO rejoiced at news of a cut in the key overnight lending rate, with the all share index rising 3.23 to 402.07.

STOCKHOLM ended slightly higher, recovering from early losses caused by disappointing balance of payments figures. The Affärsvärlden index rose 0.7 to 1,073.5.

Industrial gas company Aga fell on news of a 13.4 per cent increase in earnings last year, with its free shares losing SKr6 to SKr256. The rise was in line with expectations and was already in the price, said one salesman.

HELSINKI rose to a third record high, with the Unitas all share index adding 6 to 762.4. Kymmene free shares put on FM3 to FM147 after news of 53 per cent higher annual profits.

BRUSSELS took in its stride an increase in short-term interest rates. The cash market index ended little changed, off just 3.98 at 5,821.33.

SOUTH AFRICA

GOLD shares dragged the *Johannesburg market lower as* the bullion price continued to weaken. Randfontein lost R4 to close at R226.

ASIA PACIFIC

Hunger for buying survives Recruit arrests

Tokyo

TRADING began cautiously following the arrest on Monday evening of four leading figures in the Recruit Cosmos scandal, *but investors' continued appetite for equities helped early losses be recouped, writes Michiyo Nakamoto in Tokyo.*

The Recruit affair involves several prominent politicians and businessmen who received pre-registration shares of Recruit Cosmos, a property company, on a preferential basis and were able to make huge profits by selling their shares after the company was registered on the over-the-counter market. The growing scandal has led to calls by opposition parties to dissolve the Lower House of the Diet and hold national elections, raising fears in the market over the country's future political stability.

Yesterday, however, investors took the arrests more or less in their stride, with early losses giving way to active interest in specific issues. The Nikkei average fell to a low of 31,936.34, then rose to a high of 32,076.78 before closing the session 2.43 lower at 31,982.89.

Falls outnumbered gains by 572 to 342 while 160 issues closed unchanged. Turnover was 1.56bn shares, higher than the 1.39bn traded on Monday. The Topix index of all listed *shares dropped 5.36 to 2,473.46* but the ISE/Nikkei 50 index in London gained 3.11 to 1,981.11.

"The only thing that seems to be moving the market is the high demand," said an official at New Japan Securities.

The negative effect of the ruling party's by-election defeat at the weekend and the Recruit arrests could not be denied. NTT, for example, fell Y10,000 to Y1.71m; two of its former executives were among those arrested. However, the opportunity to buy in a market with good demand-supply prospects, as large redemptions in government bonds and postal savings come up, proved too good to let pass.

Nevertheless, nervousness on the domestic front had led to more cautious and selective buying of low-priced issues that might not rise much but had high liquidity, in case there was a need to unload positions quickly, analysts said. This was in marked contrast with the recent pattern of heavy buying in issues such as constructions, which could surge as much as Y100 in one trading session.

Shipbuilding issues, which are low-priced, proved popular. Sumitomo Heavy Industries added Y78 to Y1,030, Hitachi Zosen rose Y30 to Y680 and Mitsubishi Heavy gained Y20 to Y1,170.

Steels also returned to the limelight. NKK, in particular, was selected on the strength of news reports that the company's recurring profit for the present business year is expected to breach Y100bn for the first time and be nearly 2½ times higher than last year's figure. NKK was the most heavily traded issue with 116.0m shares and closed up Y29 at Y1,010. Nippon Steel gained Y16 to Y924 and Kobe Steel Y21 to Y830.

Japan Steel Works, third on the volumes list with 60.4m shares, rose Y100 to Y950.

Asahi Chemical, second most actively traded at 65.6m shares, firmed Y20 to Y1,320 on expectations of a 22 per cent increase in pre-tax profits for the year ending this March.

Profit-taking in a more bearish market in Osaka led the OSE average down 29.54 to 30,290.54. Volume rose from Monday's 137.7m shares traded to 158.3m.

Roundup

A MIXED picture emerged in Asia Pacific markets yesterday, with Hong Kong and Singapore sharply lower but Australia managing a small comeback.

HONG KONG fell heavily as the profit-taking that had been expected after the Chinese new year rally took a strong hold on the market. The Hang Seng index dropped 53.76, or 1.7 per cent, to 3,099.97, with property stocks leading the way.

Volume was similar to Monday's at HK$1.97bn worth of shares. The Hang Seng index had already fallen 80 points on Monday but is still about 15 per cent up on the start of the year.

AUSTRALIA bounced back from Monday's 30-point decline in a move described as largely technical. The All Ordinaries index added 6.8 to 1,485.6 in another thin session which saw 77m shares worth A$131m traded.

Among industrials, Elders IXL gained 7 cents to A$2.88 on news of a 12 per cent rise in interim profits, while transporter TNT recovered 4 cents to A$3.52 as it reported a 17.8 per cent improvement in equity-accounted after-tax profits.

Pacific Dunlop, which is buying US glovemaker Edmont, a division of Becton Dickinson, for US$228m, rose 5 cents to A$4.47.

SINGAPORE was also very weak, with Monday's 16-point fall in the Straits Times industrial index compounded by a 19.53 fall to 1,120.17. Volume remained strong at 52m shares, but lower than Monday's 70m, and falls led gains by 208 to 20.

Wall Street's current weakness and the unsettled political climate in Tokyo depressed sentiment in Singapore.

MANILA was depressed by falling metal prices and the Manila composite index lost 16.73 to 822.22.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY FEBRUARY 14 1989					MONDAY FEBRUARY 13 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	148.30	−0.1	124.22	111.75	4.79	148.40	125.83	111.09	157.12	91.16	95.28
Austria (18)	95.49	+0.3	79.98	92.32	2.67	95.16	80.69	92.56	100.00	83.72	85.58
Belgium (63)	134.84	+0.5	112.95	130.52	3.95	134.14	113.74	130.50	139.89	99.14	118.88
Canada (125)	135.10	+1.1	113.16	115.78	3.23	133.63	113.31	114.81	137.27	107.06	114.26
Denmark (39)	158.55	+1.2	132.81	155.10	1.89	156.66	132.84	154.96	161.60	111.42	115.90
Finland (26)	147.07	+0.2	123.19	132.69	1.32	146.73	124.41	132.81	147.07	106.78	115.57
France (130)	117.42	+0.9	98.35	115.81	2.80	116.35	98.66	116.12	119.98	72.77	81.83
West Germany (102)	86.15	+1.1	72.16	82.79	2.28	85.17	72.22	82.80	90.40	67.78	74.50
Hong Kong (45)	129.41	−1.7	108.40	129.63	3.66	131.60	111.59	131.74	133.77	84.90	88.70
Ireland (17)	137.36	+0.7	115.06	134.22	3.76	136.45	115.70	134.64	144.25	104.60	107.97
Italy (98)	79.94	+1.5	66.95	80.40	2.51	78.78	66.80	80.16	86.88	62.99	67.62
Japan (456)	197.85	+1.3	165.72	158.26	0.47	195.27	165.57	158.49	197.85	133.61	151.56
Malaysia (36)	155.51	−1.8	130.26	163.63	2.62	158.34	134.26	166.60	159.52	107.83	112.08
Mexico (13)	164.29	+1.1	137.61	414.94	1.23	162.45	137.74	413.84	182.24	90.07	151.86
Netherland (39)	113.85	+1.8	95.36	108.47	4.58	111.81	94.81	107.73	115.04	95.23	100.26
New Zealand (24)	75.06	+1.0	62.87	64.24	6.02	74.32	63.02	63.86	84.05	63.32	70.39
Norway (26)	157.95	+1.0	132.30	144.18	1.89	156.32	132.55	143.06	161.54	98.55	101.97
Singapore (26)	139.65	−1.7	116.97	124.14	2.15	142.05	120.45	126.28	143.62	97.99	102.35
South Africa (60)	123.93	−1.5	103.81	107.71	4.39	125.82	106.68	108.92	139.07	98.26	123.24
Spain (42)	146.43	+0.6	122.65	127.46	3.73	145.53	123.40	128.06	164.47	130.73	134.10
Sweden (35)	151.19	+0.9	126.64	141.18	2.18	149.81	127.03	140.72	151.85	96.92	110.41
Switzerland (57)	77.00	+1.5	64.50	74.88	2.27	75.85	64.31	74.72	86.75	74.13	80.04
United Kingdom (314)	151.40	+2.0	126.82	126.82	4.28	148.50	125.92	125.92	152.54	120.66	125.51
USA (568)	118.80	−0.2	99.51	118.80	3.63	119.05	100.94	119.05	121.90	99.19	106.04
Europe (1006)	120.02	+1.5	100.53	108.49	3.51	118.23	100.25	108.11	120.76	97.01	100.22
Nordic (126)	146.65	+0.9	122.84	134.06	1.96	145.28	123.18	133.74	146.85	98.11	106.96
Pacific Basin (676)	192.94	+1.2	161.61	154.93	0.68	190.63	161.64	155.16	192.94	130.81	146.93
Euro-Pacific (1682)	163.75	+1.3	137.16	136.47	1.53	161.65	137.07	136.48	163.75	120.36	128.26
North America (693)	119.68	−0.1	100.25	118.64	3.61	119.83	101.61	118.81	122.73	99.78	106.47
Europe Ex. UK (692)	100.70	+1.1	84.35	97.13	2.86	99.57	84.43	97.10	102.91	80.27	84.50
Pacific Ex. Japan (220)	134.11	−0.7	112.34	112.76	4.28	135.02	114.49	113.12	137.68	87.51	91.19
World Ex. US (1880)	162.36	+1.3	136.00	135.63	1.60	160.32	135.94	135.61	162.36	120.26	127.75
World Ex. UK (2134)	145.08	+0.7	121.52	130.27	1.99	144.05	122.14	130.44	145.38	111.77	118.74
World Ex. So. Af. (2388)	145.76	+0.8	122.09	130.08	2.19	144.55	122.56	130.14	146.10	113.26	119.30
World Ex. Japan (1992)	120.50	+0.4	100.93	115.05	3.61	119.98	101.74	115.02	122.34	100.00	103.89
The World Index (2448)	145.63	+0.8	121.98	129.93	2.20	144.43	122.47	130.00	145.99	113.37	119.33

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

SECTION III

FINANCIAL TIMES SURVEY

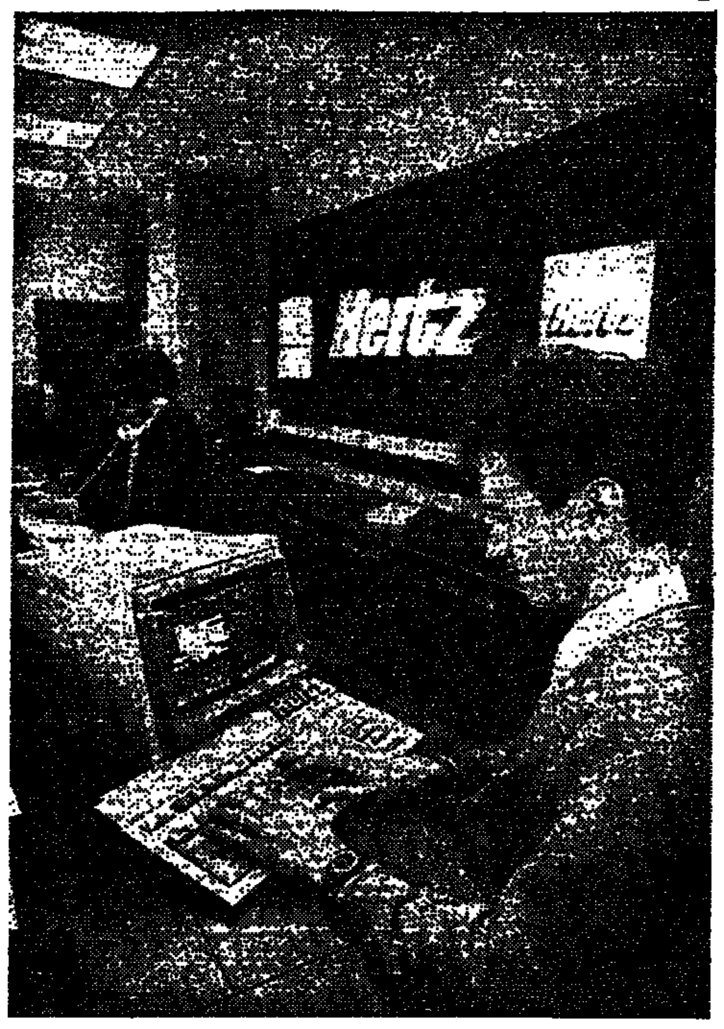
Fleet operators in the business world are spoiled for choice in the range of vehicles and services offered to them. Nevertheless, effective management of vehicle fleets of all sizes remains a formidable task, the complexities of which are continuing to increase.

The pressures intensify

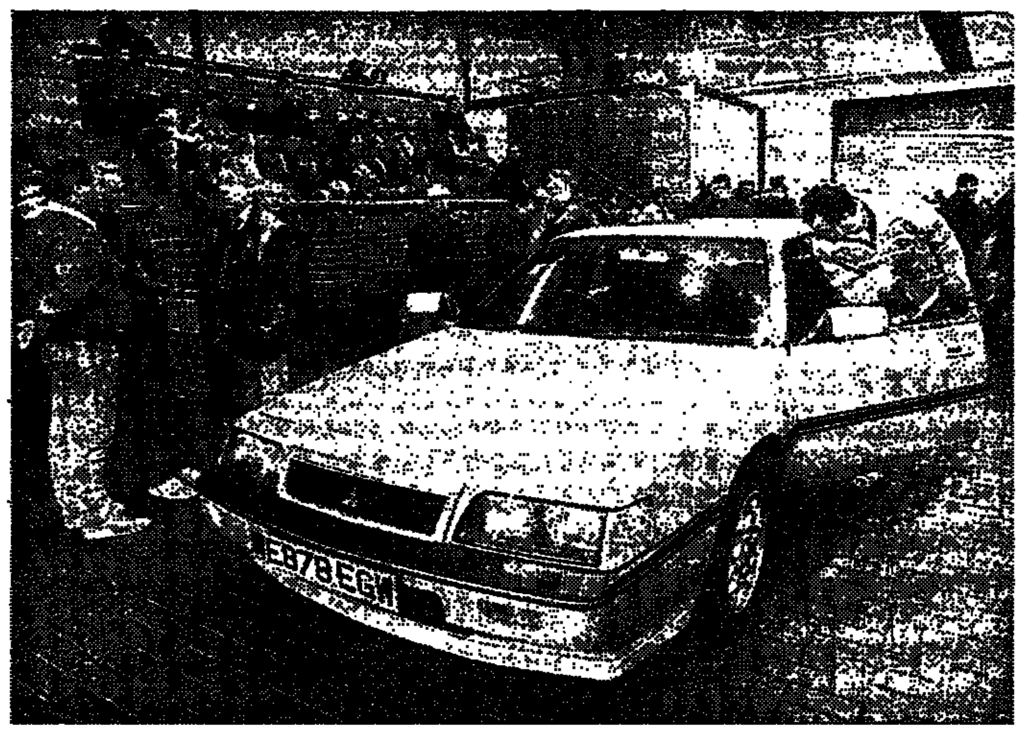
MORE THAN 10m of the cars on the roads of Western Europe are owned or leased by businesses. They represent a huge investment by their user-companies, and a make-or-break market for the vehicle manufacturers who supply them.

This 20-page survey looks at the vehicle fleet industry worldwide, highlighting the options for vehicle fleet operators, the services availaliable and key developments among major vehicle suppliers.

■ ON INSIDE PAGES:



Vehicle Fleet Management



■ PICTURED, top left: vans and trucks from a Vauxhall plant about to be transported to dealers; top right, a fleet cost-control centre.

■ Lower left: used-cars for sale in a Tooting, South London sales centre; lower right, dealers at a UK vehicle auction.

Pictures by Tony Andrews.

VEHICLE FLEET MANAGEMENT 2

In product terms, fleet purchasers are spoiled for choice, says John Griffiths

Business vehicle orders soar to record levels

BUSINESS CAR users throughout Britain will be keeping an unusually wary eye on the Chancellor of the Exchequer, Mr Nigel Lawson, as he unveils his Budget in the middle of next month.

The business world grapevine is abuzz with speculation that he may double the assessed tax benefit of company cars to most of their users – for the second year in a row – as part of the UK Government's long-standing policy to reduce and eventually eliminate all forms of "perks" in favour of a low direct taxation regime.

With the exception of West Germany, whose vehicle population includes an even higher proportion of company-registered cars than the UK, business car users in the rest of Europe are likely to wonder what their UK counterparts are worrying about.

Even another doubling would still leave the average British business car user better off, in taxation terms, than many of his or her Continental colleagues.

Indeed, while carrying out research for the Charterhouse Group, Mr James Morrell, the former Henley Centre for Forecasting director, concluded that there would have to be a five-fold rise in taxation on most company car users in the

The new Vauxhall Cavalier in production: a significant newcomer.

UK before the tax advantage, compared with private purchase, was completely lost.

"We put the lowest odds on this happening within the next five years," according to the study by James Morrell Associates, who also conclude that fears of a major change in the UK business car market are "groundless."

Manufacturers, and all involved in supplying and servicing the business sector, certainly hope so.

This is because, out of the 2.216m new cars sold in the UK last year – a record for the fourth year in a row – more than 650,000 were registered in the names of companies operating fleets of 25 cars or more.

They represented sales of around £6bn, as the average price paid for a company car continues to edge close to the £10,000 mark.

Even this 29.65 per cent share of last year's total market considerably under-states the value of the business car sector to the vehicle industry.

For depending on precisely whose estimate is believed, another 25-30 per cent of the market is accounted for by small companies running only a handful of vehicles, and cars registered in the names of individuals, but which are essentially cars operated for business.

This last sector, embracing as it does many relatively highly-paid people, such as those involved in business partnerships, also accounts for a high proportion of executive car sales in the UK, with a value to manufacturers substantially higher than the average.

The continuing buoyancy of the UK economy throughout last year kept new vehicle orders from the business sector flowing in at record levels. And there is little sign so far of such factors as higher interest rates, or the Government's concern over the mounting balance of trade deficit, acting as any significant brake on demand in the current year.

Indeed, fleet purchases rose by just over 20 per cent last year, compared with 10 per cent for the new car market as a whole.

In product terms, the fleets have been more spoilt for choice than ever as a wave of new products has arrived in the market place.

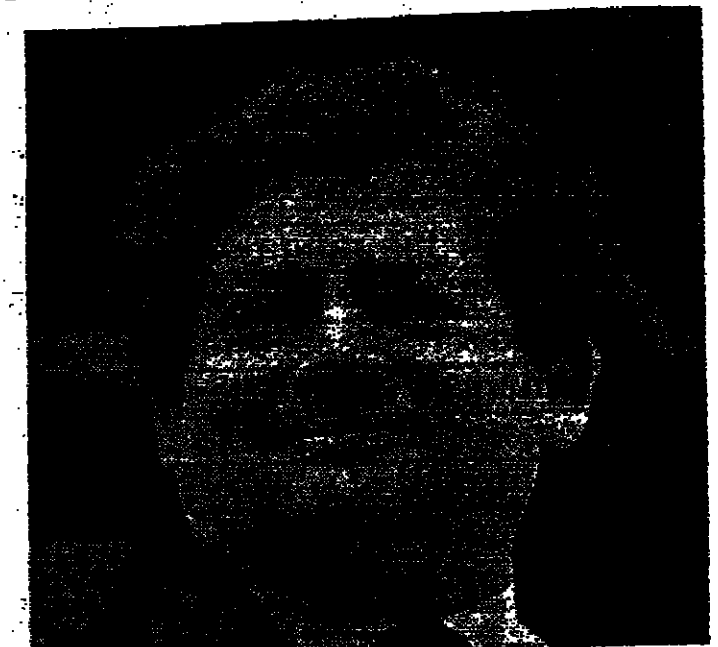
Perhaps the most significant newcomer of the past few months has been the new Vauxhall Cavalier, supplies of which are only now beginning to reach the market to challenge Ford's fleet market-leading *Sierra*.

But competition is also mounting from Peugeot in the form of the 405 saloon, now built at Ryton, near Coventry, and which will have been largely responsible for a jump in Peugeot's total UK output to more than 100,000 units this year – compared with 77,000 last year and just over 46,000 in 1987.

A further turn will be added to the competitive screw in late summer, when Rover Group's new R8 range, developed jointly with Honda, is launched.

Nevertheless, although it remains a buyer's market in product terms, the expansion of the UK new car market which has continued without interruption since 1985, hitherto has been taking the pressure off manufacturers and dealers to undertake the "distress" selling methods which so undermined their profitability during the "car wars" of the early 1980s.

The the situation has also been helped, from the manufacturers' point of view, by vehicle over-capacity being cut sharply as sales have risen to



Chancellor Nigel Lawson: keeping UK fleet users guessing.

record levels across Western Europe as a whole.

Consequently, there has been a sharp increase in profits for companies like Ford, and a return to profitability for traditional loss-makers such as Vauxhall.

The business community has not been too concerned about the situation, because it has meant a return to a relatively orderly market. This is beneficial in areas like all-important resale values – the biggest single factor in the whole-life cost of running a fleet – which are not so subject to distorting influences, like sales volume-based incentives to dealers on top of normal discounts.

This year, however, there are signs that this orderly situation may not last:

□ First, the Society of Motor Manufacturers and Traders in the UK is forecasting a drop in the total new car market to around 2m units.

If this does happen (there was still no sign of a slowdown in January) it will come at a time when market leader Ford, whose share of UK fleet sales slipped by 4.5 percentage points last year, has decided it is time to regain ground, and when Vauxhall has set a target for its dealers to capture a 16 per cent share of the total UK market this year compared with 14.7 per cent in 1988 – which, in unit terms, means an extra 40,000 cars.

Add other factors, such as the Rover Group's determination to build on last year's reversal of its long slide in market share and Nissan's need to establish a bridgehead in the mainstream fleet sector, and the scene is being set for much more competitive conditions than have been seen for some time.

Unease about a possible return to the "bad old days" of disorderly marketing is already growing as a result of all "big three" makers launching schemes under which dealers

There is little sign so far of higher interest rates acting as a brake on demand

are once again being awarded bonuses for meeting volume sales targets, in addition to their normal discount. Currently, up to £350 per car is on offer under the schemes.

They are still much more selective than at the height of the earlier "car wars". But executives such as Mr John Butterfield, Vauxhall's sales director, who insists that Vauxhall's own such schemes are only a response to action by other manufacturers, acknowledges a danger that the incentive schemes could spiral out of control.

Currently, the situation is a long way from that prevailing a few years ago, when some dealers were passing on most of their profit margin to customers and relying for a living on manufacturers' bonuses.

However, the warning signs are there – and by none will they be monitored more closely than the 400-plus companies which have grown up in the UK specifically to offer specialist expertise to the business community in the form of contract hire, finance leasing, fee-based management and other vehicle fleet services.

The relative handful of large companies operating in this still very fragmented business sector have undoubtedly enjoyed a growing measure of success.

Partly this is because the management of business fleets – cars and commercial

Fleet purchases in Britain rose by just over 20 per cent last year

vehicles – has become more complex in legislative and taxation terms.

For example, as the cost of the average company car has gone through the £8,000-level above which contract hire rentals are not fully allowable recoverable, the industry has been quick to come up with a number of schemes to get round the problem – all of which come under the generic term of contract purchase.

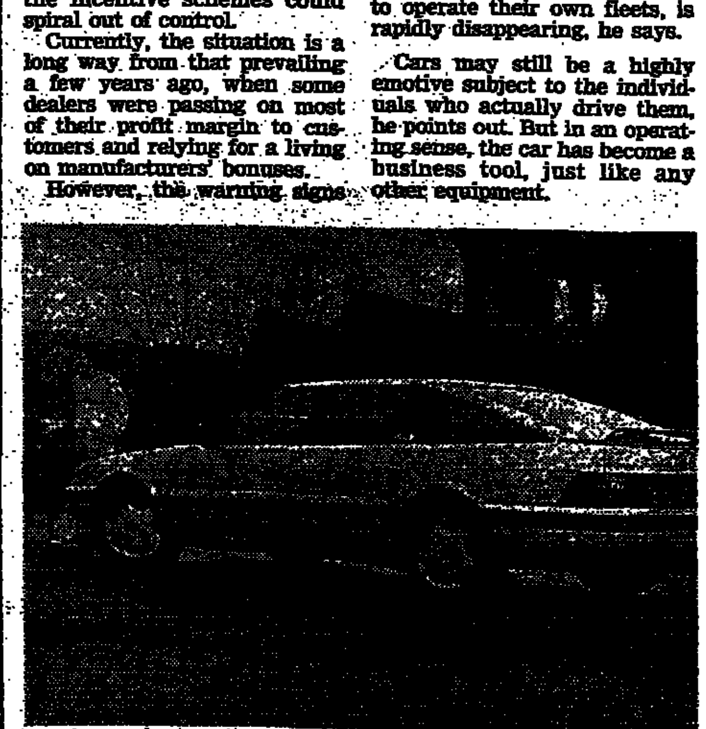
Instead of paying rentals to the contract hire company, in return for which the hirer buys, runs and disposes of the vehicle, the user-company buys the vehicle then lets the specialist company operate it and dispose of it. This enables all costs of operation to be allowable against corporation tax.

Deft footwork like this has allowed the specialist contract hire and management sector to grow by anything up to 15 per cent a year over the past few years, to the point where perhaps a quarter of Britain's 3m business car population is operated in this way.

That still leaves plenty of business to aim for, however. This year's Monk's Guide to Company Car Policy, to be published shortly, is expected to show that well over half of the UK's largest companies – those with a turnover of more than $200m – still insist on buying their cars outright, with only 22 per cent using contract hire.

Another reason for the growth, however, is suggested by Monk's Guide co-author Mr Norman Donkin, who is also managing director of Leaseplan UK – the pride of ownership factor, which once lay behind many companies' desire to operate their own fleets, is rapidly disappearing, he says.

Cars may still be a highly emotive subject to the individuals who actually drive them, he points out. But in an operating sense, the car has become a business tool, just like any other equipment.



The Rover Vitesse - a hatched variant on the 800 range saloons, jointly developed by Austin Rover and Honda – symbolises the Rover Group's attempts to move further *upmarket*.

The group is determined to build on last year's successes when it boosted its share of the UK fleet business by 2.29 percentage points to 18.88 per cent. In volume terms, that meant that Rover sold 33,244 more cars to the fleets than in the previous year, reaching a total of 123,316 vehicles.

Japanese fleet suppliers present strong challenges, says **Kevin Done**, Motor Industry Correspondent

European suppliers braced for tough competition

THE EUROPEAN Community is in disarray about the formulation of a policy for the motor industry in the 1990s. The industry may currently be in ebullient mood with sales in West Europe at an all-time high of almost 13m and production and profits at a record level, but vehicle producers are bracing themselves to meet a new era of harsher competition.

As EC member states push forward with plans for the creation of a single market after 1992, it is still far from clear how the EC will liberalise the patchwork of national restrictions that comprise the Community's current external trade policy for the motor industry.

Equally it is still to be demonstrated to what degree the EC will espouse the cause of free trade in motor vehicles or whether it will succumb to calls for the creation of a "fortress Europe" that would seek to protect the industry for an indefinite future.

The announcement last month that Toyota, Japan's biggest vehicle producer, is planning to build a 200,000 units a year car assembly plant in West Europe, most probably in the UK, shows that new

Global imperatives now face the world's major vehicle manufacturers

pressures are emerging regardless of activity in Brussels, however.

The long-awaited Toyota move has again focused attention on the EC's inability to agree either on an import regime for Japanese cars, or on the sort of local content rules that should be imposed on Japanese inward investments.

West Europe's traditional car makers – most importantly the big six volume car makers, Volkswagen, Fiat, Peugeot, Ford, General Motors (Opel and Vauxhall) and Renault – are facing a major competitive challenge in the 1990s as they are exposed to the full force of Japanese competition.

Direct imports have already given the Japanese motor industry an 11 per cent share of the total West European market – and around 9.5 per cent of the European Community market – but the impact of various import restrictions in individual markets limits further significant advancement from outside.

In European countries unprotected by quotas – and admittedly without a domestic motor industry – the Japanese have already shown what they are capable of. In Austria Japanese makes accounted for 33 per cent of the new car market last year, in Finland their share was 42.1 per cent, in Switzerland 31 per cent and in Sweden they increased sales by fully 29 per cent in 1988 to push their share to 26 per cent.

In Italy, a market which has been restricted since 1957, direct Japanese car imports have been restricted to a share of less than one per cent.

For Fiat the threat of relaxing the import restrictions is obvious. It presently controls fully 60 per cent of the Italian market, and Italy accounts for no less than two-thirds of its total West European car sales.

For the French car industry the prospect of being exposed to the full force of Japanese competition is equally threatening. It currently limits direct Japanese imports to five producers, Toyota, Nissan, Mitsubishi, Honda and Mazda, allowing them together no more than three per cent of the market.

Sensitivity in Paris towards the penetration of the French market by Japanese cars built within the EC was already amply demonstrated late last year, when a trade row blew up between France and the UK over access to the French market for Nissan's UK-built Bluebird cars.

The Japanese automotive groups are already well-advanced in establishing a second production leg in North America – by 1992/93 the production capacity of so-called Japanese transplants in the US and Canada is expected to exceed 2.5m units a year – and it is clear that future investment will increasingly be channelled towards West Europe as the Japanese auto industry seeks to extend its global presence.

The example has already been set by Nissan, which is developing a £610m car plant at Sunderland in north-east England, which will have a capacity for producing 200,000 cars a year by 1992.

Western Europe overtook North America in 1987 as the world's biggest car market. Above: Mercedes-Benz production lines at Sindelfingen in West Germany.

Nissan, the second largest Japanese car maker and traditionally the more adventurous of the two Japanese giants, was the harbinger of the new assault wave, when it decided in the first half of the 1980s to set up a European car production base.

The news that the much richer Toyota has finally overcome its natural conservatism and is prepared to take the plunge into fully-fledged European car assembly means that the gloves will now be taken off by the whole of the Japanese auto industry, as they move to take advantage of the new opportunities that should open up with the development of the single European market after 1992.

Nissan's choice of its upper-medium sized Bluebird car as the first model for assembly in Europe is already taking it increasingly into the fleet sector of the UK car market, and it appears that Toyota has also selected this market segment for its first big volume sales effort in Europe with the announcement that it is planning a 1.8 litre car range for its initial European assembly operation.

The introduction of substantial additional volumes of both Nissan and Toyota mid-range cars in the early 1990s will further intensify competition in the already fiercely contested fleet market.

With Ford transferring all production of its Sierra – currently the top-selling fleet car and large family car in West Europe – to a single production site at Genk in Belgium, and terminating Sierra assembly at Dagenham in south-east England, the traditional tendency of fleet purchasers to seek to "buy British" can only be further undermined.

The Toyota move has again focussed attention on the European Community's inability to agree either on an import regime for Japanese cars or on 'local content' rules for vehicles

West Europe overtook North America in 1987 as the world's largest car market, and it has for long been clear that sooner or later the Japanese producers would have to establish local production, both in order to be closer to such a large and fast-growing market, and in order to circumvent the various import quotas that have hitherto limited their access to some of the biggest markets, France, Italy and Spain in particular, but also the UK and Portugal.

The new pressures on the European industry are coming not so much from reforms associated with the EC's 1992 programme as from the global imperatives facing the world's major vehicle producers and components suppliers.

As a report from DRI Europe, the automotive analysts, entitled "Unification of the EC market by 1992" points out, "the catalyst for change is global, not European. Much of it will occur without the creation of a single market."

While the biggest challenges are on the external trade front, there is clearly a growing scepticism about the scale of benefits that will flow from the internal aspects of the 1992 programme.

In two key areas of interest for the vehicle fleet management sector, taxation and pricing, it is probable that many of the distortions that exist in Europe today will continue for many years after 1992, while there is also little prospect of fundamental reforms being enacted that could lead for instance to the creation of a common European currency.

According to Mr Ken Hanna, managing director of Avis Leasing and Fleet Management, "there is no magic with this date, nothing dramatic will happen overnight." Complete harmonisation of the market may never be achieved. "We may end up with permanent compromises or 'approximations' as the European Commission is now calling it."

Major obstacles to progress in fiscal harmonisation have already been raised by some countries, not least the UK, and whatever success is ultimately achieved in narrowing the present range of VAT rates, for example, there will be nothing to stop governments recouping lost VAT receipts from higher excise or user taxes.

According to DRI, "major pre- and post-tax price differentials will remain, encouraging cross-country trade distortions.

"A unified 15 per cent VAT rate would be more in line with the needs of the EC's car industries and consumers. But the range of total taxes paid on new cars in the EC would probably still extend from 15 per cent to as much as 200 per cent. And the probable switch from VAT to excise or user taxes could conceivably worsen the inequities.

"High total taxes on cars will remain in many EC member states, not just depressing demand but distorting the consumer's choice of car. A transfer to excise or user taxes would increase these distortions, as they vary enormously from country to country in the way they are applied. The chances for EC manufacturers to rationalise their product ranges and enjoy economies of scale may well diminish."

DRI is equally sceptical of the chances of achieving closer harmonisation in technical areas such as emissions control and expects there to be "a two-speed Europe at best until the late 1990s".

It would appear that Europe will have to live with major car price distortions for the foreseeable future.

Mr Hanna says that "eventually you could foresee the day when a company like Avis could source from the cheapest country," but it is far from being an immediate prospect.

Vehicle fleet managers placing large orders shy away from such practices, because of the impossibility of speedily processing big purchases for UK customers outside the country.

In leasing in any case a large percentage of purchases are made direct from dealers.

"Normally the customer is satisfied within 25-30 days," says Mr Hanna, "to wait to source from the Continent with the extra paper work and import controls would reduce the service to the customer."

Leasing companies already buy geographically, seeking to buy the car close to the home address of the customer. We prefer to do this to get a continuing high level of dealer service.

Equally on the rental side of the business, the fleet managers appear to prefer to leave the job of shipping large volumes of cars around Europe to the manufacturers and their importer/distributors rather than seeking to make the lowest cost purchase and then have to shoulder the transport burden.

There is growing scepticism about the 'benefits' of a single market after 1992

Mr Neil Pykett, managing director of Interleasing (UK), part of the Cowie group, maintains that the leasing and contract hire market is more highly developed in the UK than elsewhere in Europe. Companies can already take advantage of this sophistication in bidding for business outside the UK, however. For the foreseeable future, customers would still have to be dealt with on a national and a local basis.

COMPARATIVE LIST PRICES

■ PRE-TAX LIST PRICES	1986	1987
Denmark	100	100.0
Belgium	121	121.0
Netherlands	123	121.6
Luxembourg	122	122.2
Portugal	136	127.0
France	130	127.9
West Germany	129	127.9
Italy	144	129.2
Eire	151	130.3
Spain*	146	142.4
UK	151	143.5
■ POST-TAX LIST PRICES		
Luxembourg	100	100.0
West German	107	105.4
Belgium	110	109.2
Italy	122	111.9
France	125	123.6
UK	138	128.9
Netherlands	136	134.5
Spain	142	138.7
Portugal	164	147.1
Eire	185	165.1
Denmark	210	207.5

*Includes factor for import tax; price level net of tax can be estimated close to the range of French and German prices

Source: BEUC; Car Report 1987

VEHICLE FLEET MANAGEMENT 4

European business fleet comparisons by **John Griffiths**

UK car market myths exploded

Western Europe's market for company cars is growing at six per cent a year. Above, left, the new Vauxhall Cavalier; right, the Peugeot 405 SRI.

CONTRARY TO widespread belief, Britain does not have a uniquely high proportion of company cars compared with other European countries.

For example, the West German business car population – or at least that part of it clearly identifiable as having been registered by companies – is larger than that of the UK.

This is not just in unit terms, which might be expected given the larger size of West Germany's total car market, but in the percentage of cars registered relative to the total car population.

In a survey of the 1987 European business car market, Lease Plan, controlled by two Dutch banks and one of only a handful of vehicle leasing companies already operating in several European markets, established that 15.1 per cent, or 4.2m, of West Germany's nearly 28m car population was registered to companies. That compares with 2.5m, representing 13.2 per cent, in the UK.

Both were well clear of the other countries surveyed: Holland with eight per cent, Spain six per cent, Belgium four per cent and France a mere 2.5 per cent (Italy was excluded because Lease Plan has yet to establish operations there).

As in the UK, these figures are likely to substantially understate the true level of business car purchases, because a significant further proportion will be made up of cars registered in individuals' names but used primarily for business.

In the UK, this proportion of each year's new car sales is variously estimated at between 15 and 30 per cent, although the European average is estimated to be somewhat lower.

Even those registered in Europe under company names, however, emphasise the huge importance of the business car sector, both to Europe's vehicle makers in terms of sales and to business users in terms of costs.

According to Mr Ken Hanna, managing director of Avis in the UK, Avis' research indicates that 10m of Western Europe's 120m cars are registered to companies, and that growth in the sector, at an annual rate of six per cent, has been outpacing the overall growth of Europe's new car sales (five per cent).

Avis calculates that Europe's leased business car population now stands at 3m; that one in 12 of every new car sold in Europe last year, an estimated 1m cars, was destined for leasing; and that this sector is currently growing at an annual rate of 15 per cent.

However, disparities between individual countries abound. In West Germany, only 11 per cent of business cars are leased; in France 55 per cent.

The explanation lies almost entirely in differing government approaches to the tax regime for company cars. West Germany's is relatively benevolent – the 14 per cent VAT rate charged on both company car purchase and contract hire rentals being wholly recoverable.

In France, user companies cannot recover the 28 per cent VAT on company car purchases, but can with contract hire companies. However, there is still a catch in that the 28 per cent VAT on the finance and depreciation element of the rentals is not recoverable, and there is an additional specific tax on company cars, variable according to their size and applicable to both purchased and leased vehicles.

These national disparities form just a part of the European Community's harmonisation problems needing to be addressed as part of the moves towards a single EC market in 1992.

In the past, they have clearly acted as a disincentive for UK-based contract hire and fleet management concerns to seek a broader European base – particularly as there have been plenty of easier ways to exploit growth opportunities in the UK during recent years.

However, with further expansion inside the UK proving increasingly difficult, some, like Avis' Mr Hanna, suggest the time could be ripe for looking across the Channel.

Avis says it believes there are good opportunities to penetrate Continental business car markets. It has 160,000 corporate rental car accounts on the Continent – but only 3,500 leasing contracts, despite its claimed regular dealings with 360 out of Europe's top 500 companies.

"There are big opportunities to penetrate this customer base," according to Mr Hanna.

In the expectation of greater business travel by car throughout Europe after the completion of the Channel Tunnel and the creation of the single EC market, Avis has devised a pan-Europea identity card, Autocarte, allowing its holders to gain access to 50,000 service, breakdown or car rental outlets.

On the commercial vehicles front, British Road Services (BRS), has concluded, after much research, that the upsurge of UK companies seeking to exploit Continental markets after 1992 could well generate a great deal of additional business for the professional fleet management, leasing and rentals sector.

Some other companies, like Interleasing, another existing pan-European operator, are also enthusiastic about prospects. Others, like Mr Stephen Dixon, managing director of Lex Vehicle Leasing, are not so sure.

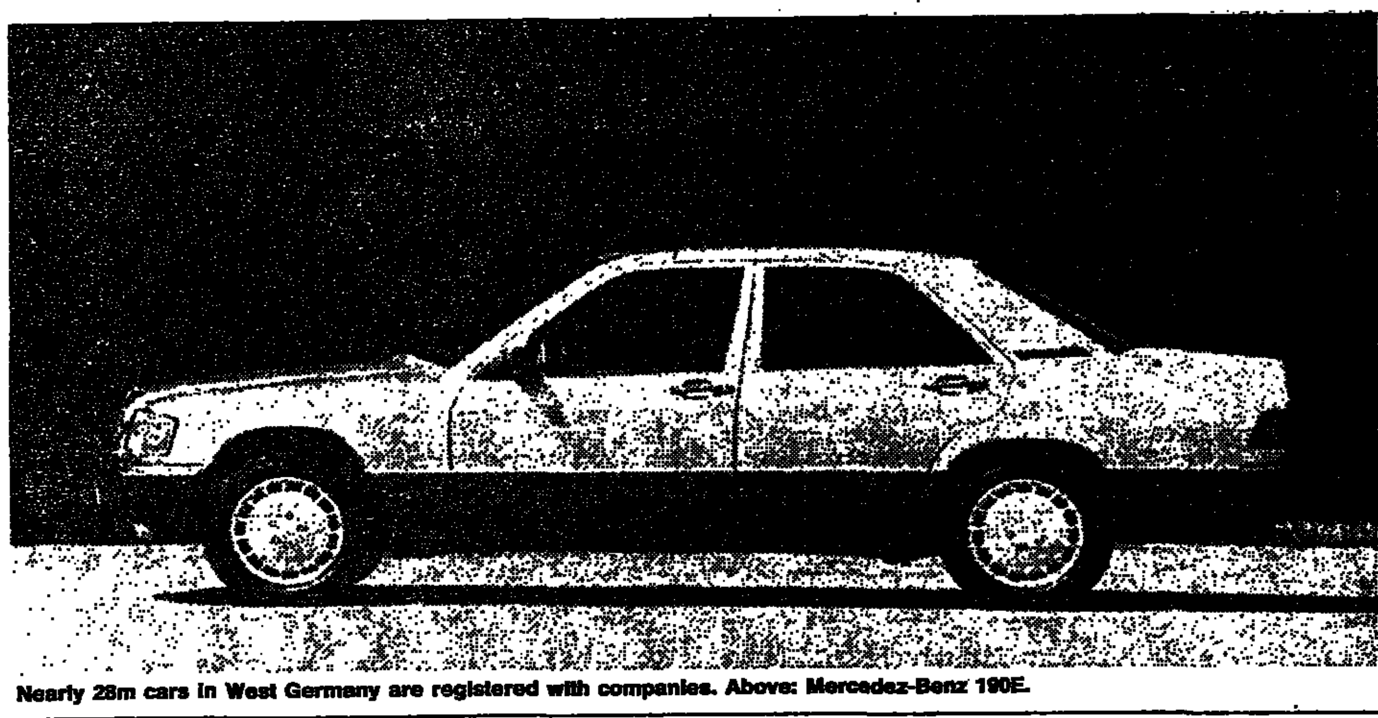
"We have commissioned our own surveys, and we now understand what the market is and what drives it.

"West Germany is similar to the UK, but is dominated by manufacturers in terms of contract hire; the Dutch market is a super one in terms of leasing penetration, but on the other hand it is small.

"If we do set up on the Continent it will not be because of 1992 but because of specific local market opportunities."

Indeed, Mr Dixon worries about 1992 for other reasons: "For example, if we (the UK) have to abolish special car tax, or if it becomes necessary to pay VAT on all of a used car's sales price as happens on the Continent, instead of just on the difference between purchase and resale price, as happens now."

The disruption this would cause in the UK industry, and its potential for wreaking havoc with vehicle residual values and even the structure of the motor trade itself are clear proof, he suggests, that there are risks as well as opportunities associated with a single Europe.



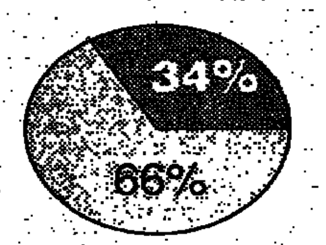
Nearly 28m cars in West Germany are registered with companies. Above: Mercedes-Benz 190E.

Taxation and company cars

An emotive issue

Benefits: Users' views

If the tax burden on company cars increased again so that the financial benefit of having a car disappeared, which would you be most likely to do?



	Keep the car	Give up the car
Salesmen	69%	31%
Middle managers	61%	39%
Directors	68%	32%
Scotland	69%	31%

Source: The (Hertz Leasing) Executive's Car Survey, 1988

BRITAIN in the pay restraint days of the 1970s provided fertile ground for the development of the company car as a coveted perk. A personal tax system that had the highest marginal rates in Europe was combined with a class and status-conscious society.

The present UK Government believes it is only fair that, as personal taxes are being reduced substantially, the tax penalties on perks should be increased. Mr Nigel Lawson, the Chancellor of the Exchequer, has been gradually dismantling tax concessions for the relatively well-off.

Among other things, he would prefer to change Britain so that, like other West European countries, corporate executives would be paid well enough for them to buy the cars of their choice out of taxed income.

So it is not surprising that he recently dropped a broad hint that the Treasury in the forthcoming Budget would launch another all-out assault on the company car, the most widely available corporate perk.

TREASURY SUGGESTION

Drivers of company cars are currently taxed according to the vehicle's original cost, its capacity and its age. The tax is halved if the driver clocks up more than 18,000 miles on business a year and doubled for fewer than 2,500 miles – with the journey from home to work and back counting as "private" motoring.

The Treasury suggested the Budget might bring a complete restructuring of these "scale charges," used by the Inland Revenue to assess the cash worth of company cars.

These charges were doubled in the 1988 Budget but the Treasury believes that under-taxation of company cars still imposes a substantial burden on taxpayers in general.

According to a recent study by Hertz, the car hire and leasing company, the latest doubling in scale charges reduced the loss to the UK Exchequer from about £1.1bn a year to £750m.

Mr Lawson may aim to halve that figure again in next month's Budget with the eventual aim of phasing out the benefit entirely – depending, of course, on whether he has the room to soften the impact on middle-income earners by, for example, further reductions in income tax rates.

So far, however, there has been no word about another loophole: that national insurance contributions are not levied at all on the benefit that cars provide. As these contributions represent a rising proportion of total taxes on wage bills, that loophole grows in significance.

The Treasury has also been sending out confusing signals about car-related perks. Tax on the "benefit in kind" of car-parking space provided free by companies for employees was eliminated in the last Budget. But the Revenue recently said that employees who use company car telephones in their own cars will have to pay tax on them unless they can show that the instruments are used only for business purposes.

A VALUABLE PERK

In spite of the tax increases already implemented, a company car is still a valuable perk. To take a typical example – someone running a two-litre vehicle for 10,000 miles a year. The Automobile Association calculates it would cost an individual about £4,000 a year. Compared with that, the Government scale charges give the car a notional value of under £2,000. Better still, at a 40 per cent tax rate the user pays only about £800, which seems a bargain.

However, not everybody accepts the AA's figures.

Ironically, the UK's top rate taxpayers may have noticed little difference in their tax bills this fiscal year because the increased scale charge would almost certainly have been offset by the reduction from 60 per cent to 40 per cent on the tax levied.

One thing will certainly have become very clear to Mr Lawson in the past few years: his attack on the company car perk has raised a great deal of emotion. One suggestion is that Mr Lawson is paying too much attention to civil servants who, because no government has had the foresight, are not provided with this perk.

However, there is considerable evidence of the pernicious consequences of company cars. Hours of unproductive management time go into deciding which grade of worker should get what type of car; these distinctions reinforce the sclerotic hierarchies endemic in too many British companies. Moreover, cheap company motoring has severely distorted public transport policies and encourages traffic jams.

Defenders of the system point out that it has been of benefit to the UK car industry because, while fickle private buyers turned to imports from Japan and continental Europe, companies tended to put their employees mainly into British cars.

Make the company car an unattractive proposition, turn company car users into private buyers and not only will total new car sales decline, but so will the proportion of British cars bought, it is argued.

Unfortunately, this is not as simple a matter as it might seem at first sight. The two main suppliers of company cars, Ford and General Motors/Vauxhall, are American-owned groups which run their businesses on a European-wide scale. On average, over the past 10 years about half the cars Ford and Vauxhall have sold in Britain have been imported from their European factories. Consequently they have been by far the major car importers to the UK.

In mitigation, the companies point out that their European structures have enabled them to retain substantial manufacturing and assembly operations in the UK. Ford supplies a great many engines and transmissions from Britain for cars it assembles in its Continental factories.

However, it is safe to assume that both Ford and General Motors chalk up a substantial deficit in their in-house trade between the UK and the rest of the world.

In any event, fears that the Chancellor's renewed attack on the company car will cause major changes in the market may be largely groundless, according to some informed observers. That was the view put forward recently by Mr James Morrell in a study for the Charterhouse banking group.

The likelihood of a further five-fold increase in car taxation – the increment required to eliminate the current tax advantage for a typical employee running a business car with free petrol – was "quite remote," he concluded.

A much more telling argument by the proponents of the company car system – and one the Chancellor must surely be carefully considering – is that his policies are beginning to penalise those people who do not have a corporate vehicle as a perk but because they need one as a "tool of the trade".

Salesmen and service engineers, for example, often could not do an adequate job if they were forced to use public transport.

The Hertz survey suggested that these mainly-for-business drivers, covering about the specified 18,000 miles a year, may already be close to paying tax on the full value of the benefit they receive.

In spite of all the shouting about the potentially damaging impact that the Chancellor's actions might have, so far there is little evidence that his policies have had any effect on companies' car policies. In fact, the reverse seems true.

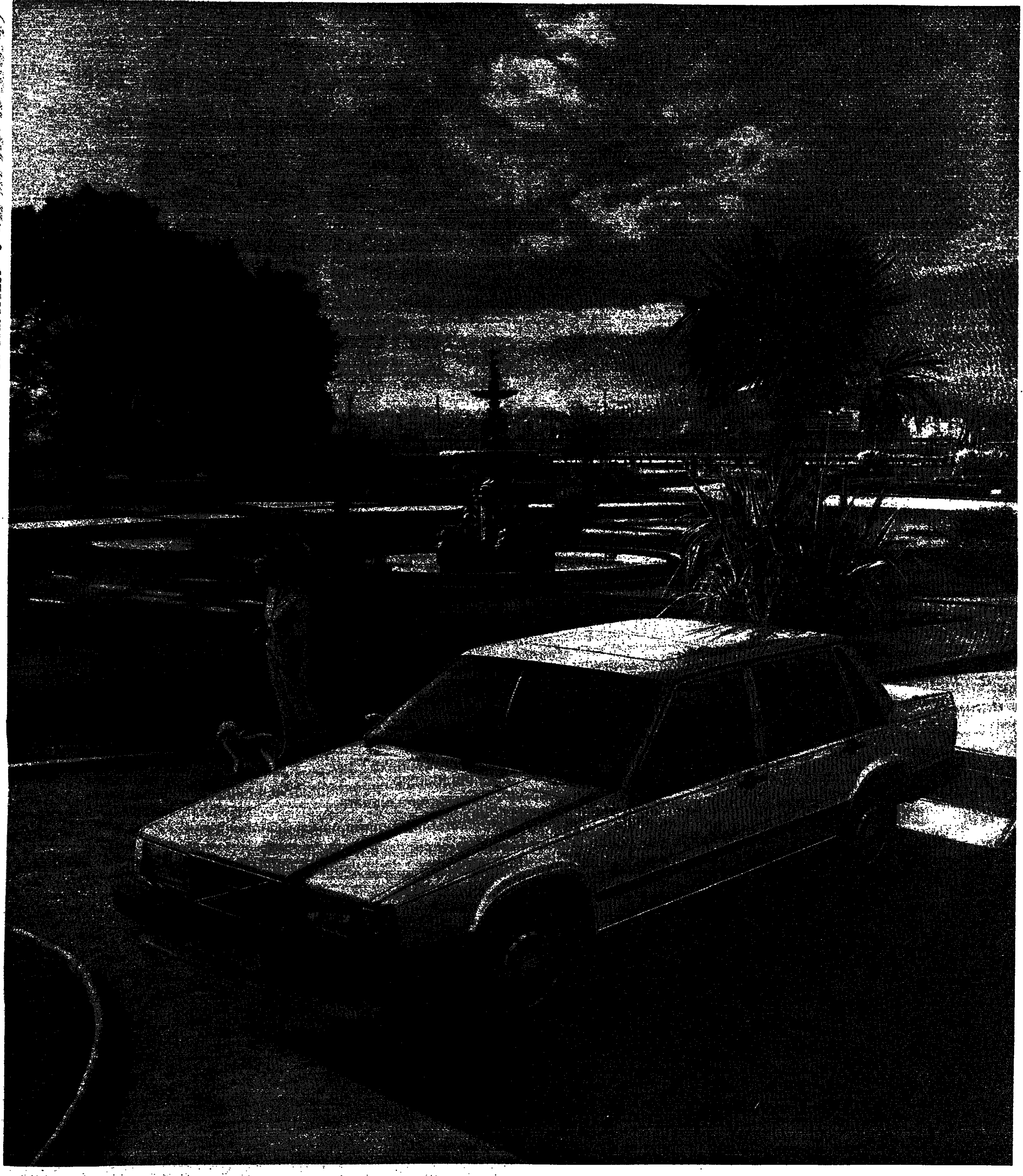
STATUS SYMBOLS

A recent survey of employee benefits by Hay Management Consultants indicated that company cars were being provided to even more managers as status symbols. The level of eligibility for a company car had fallen significantly in the latest survey for the first time since 1980, the authors said.

Companies reported that on average, the income level for managers to be given a car on the basis of status as opposed to job requirements was £19,867 in non-financial companies and £21,591 in financial companies. Last year, managers receiving company cars on that basis were generally earning £20,591 and £21,940 respectively in those sectors.

That would seem to be bad news for the Chancellor. Hay suggested, however, it was too early to predict what would follow the latest doubling of the scale charges.

Kenneth Gooding



Kenneth Gooding looks at the battle among car makers for a bigger slice of the UK fleet market

Record purchases increase UK car trade deficit

BRITAIN'S MAJOR car fleets – those operating 25 cars or more – last year bought more vehicles than ever before and played their part in pushing total car registrations in the UK to a record 2.203m.

At the same time, 1988 might well have marked a turning point for the Rover Group in the fleet business. After years of concentrated effort which mainly resulted in Rover merely holding its ground, the group last year boosted its share of the fleet business by 2.29 percentage points to 18.88 per cent.

In volume terms that meant that Rover sold 33,244 more cars to the fleets than in 1987 for a total of 123,316.

Both the Rover 200-series and the Rover 800-series made headway against competition mainly provided by Ford, which dominates the fleet market, and Vauxhall, General Motors' UK subsidiary.

According to preliminary industry estimates, the share of new car sales accounted for by the fleet sector last year grew by 2.5 percentage points to 29.65 per cent of the total market or 653,099 units.

Ford insists that the two-week strike at its UK plants in the spring last year produced knock-on effects that lasted for the rest of 1988.

It says that was the main reason its share of the fleet business fell by 4.5 percentage points to 44.81 per cent. Even so, the fleets still registered 292,631 Ford cars last year.

Rover also seems to have taken some business from Vauxhall which lost ground slightly in the fleet market even though its unit sales to the sector were up. Vauxhall, like Ford, was short of cars because its new Cavalier, introduced only last autumn, remains in short supply.

Consequently, Vauxhall's share of the fleet business fell by 0.18 of a percentage point to 23.98 per cent with 156,620 cars registered last year.

Peugeot, the French group, also made progress in the fleet sector last year and doubled its penetration, albeit from a low base. Its 22,738 registrations gave it a share of 3.48 per cent compared with 10,674 units and 1.97 per cent in 1987.

Peugeot benefited increasingly from the gradual build-up of supplies of its UK-assembled 405 saloons, competitors for the Ford Sierra and Vauxhall Cavalier ranges.

The French Peugeot group as a whole made even better progress because the fastest-growing marque in the UK car market in 1988, for the second consecutive year, was Citroen, part of the Peugeot combine.

Citroen's car sales in the UK in 1988 were almost double those of 1986 at 71,000 and it took 3 per cent of the total market. Much of the company's success is based on the medium-saloon, the BX, which on its own accounted for 1.63 per cent of the total UK car market and is also making headway in the fleet sector.

Citroen says that its sales to the big fleets jumped by more than 170 per cent last year to 19,000 cars (including more than 14,000 BXs) and claims it is now established as an important competitor in the sector.

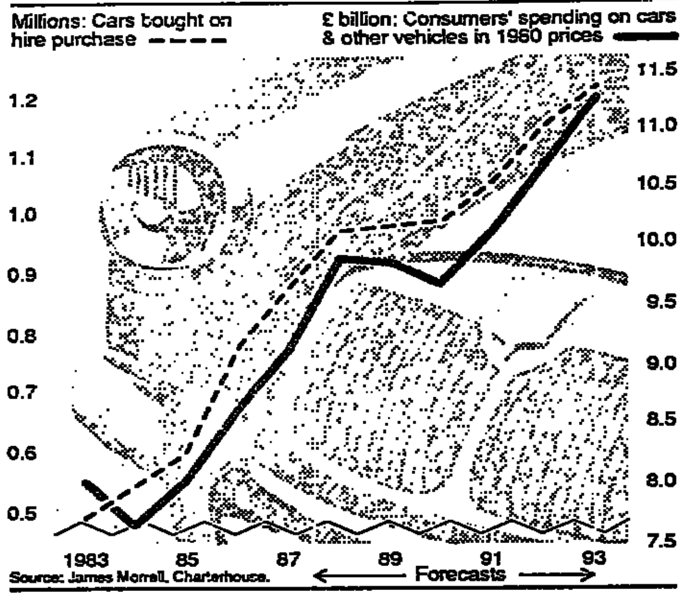
Meanwhile, Nissan is still awaiting a breakthrough in the big fleet market even though its Bluebird models, assembled at Washington, Tyne and Wear, were classified as "British" vehicles from the beginning of 1988.

Nissan made 8,760 sales to the fleet sector, enough for a 1.34 per cent share last year. That compared with 4,746 registrations and a 0.87 per cent share the previous year. The Japanese group remained behind some traditional importers such as Renault, with 2.78 per cent of the fleet market and Fiat with 1.57 per cent, the Rover Montego, sixth with 5.42 per cent, the Rover 200-series with 4.83 per cent.

Spending and HP on cars in the UK

Millions: Cars bought on hire purchase – – – –

£ billion: Consumers' spending on cars & other vehicles in 1980 prices ▬▬

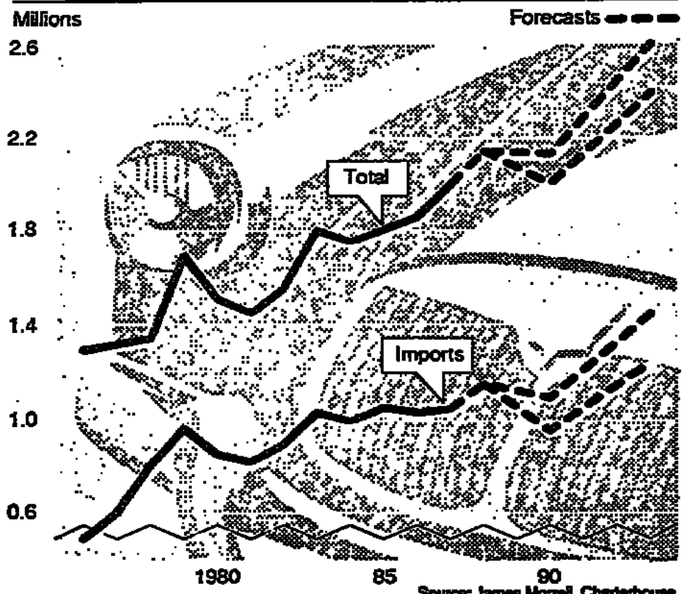


Source: James Morrell, Charterhouse.

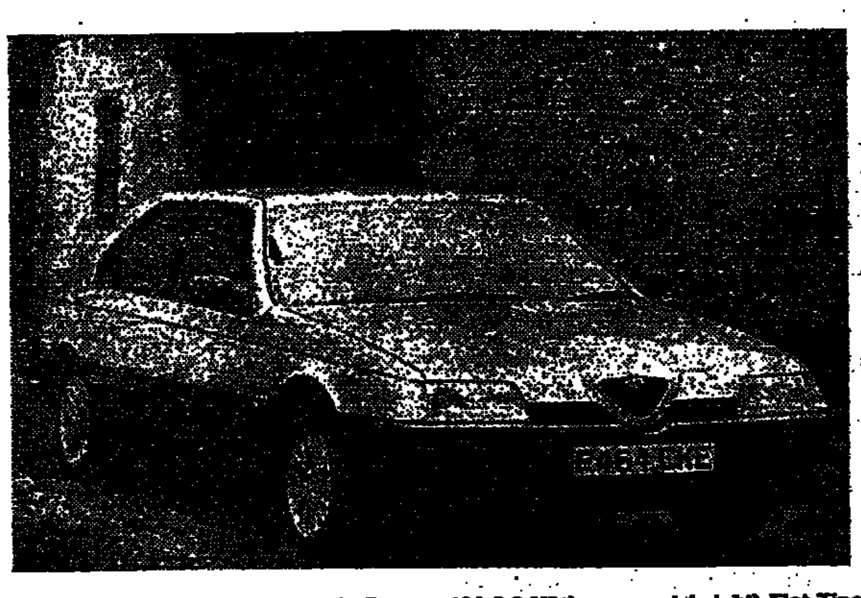
UK new car registrations

Millions

Forecasts ▬ ▬ ▬



Source: James Morrell, Charterhouse.



Rooting for business: (left) Alfa Romeo 164 3.0 V6 Lusso and (right) Fiat Tipo DGT

However, the statistics probably do less justice to Nissan than any other company because it has a firm foothold in Britain's small fleets for which statistics are not available - Nissan has been favourite among driving instructors for many years, for example.

Ford's predominance in the big fleets is further illustrated by the fact that even the Granada executive car and its lowest-volume car, managed to capture a bigger share of the fleet business – 3.81 per cent – than Nissan and the traditional importers.

All the models in the Ford range featured in the fleet top ten. The Sierra was in top place with a 16.99 per cent of total registrations, the Escort second, 11.16 per cent, the Fiesta fourth with 7.56 per cent and the Orion, seventh with 5.28 per cent.

Scattered among the Ford models were the Vauxhall Cavalier in third place with 9.62 per cent of the fleet market, the Vauxhall Astra, fifth with 7.45 per cent, the Rover Montego, sixth with 5.42 per cent, the Rover 200-series with 4.83 per cent.

Ford's determination to supply the UK market at a time of record demand last year, and in spite of the strike at its British factories, had a significant impact on the car import statistics.

The company, already the biggest car importer to the UK, boosted imports from its Continental factories from 177,3124, or 30.6 per cent of its total registrations, to 248,888 or 42.6 per cent.

GM-Vauxhall, the second-largest importer, also increased the percentage of imports in its total registrations – from 32 per cent or 86,202 cars to 39 per cent or 118,891.

This had the effect of lifting the share of imports in the total UK new car market last year from 50.73 per cent to 53.76 per cent, representing 1.25m cars imported – the biggest-ever total.

The high level of foreign car sales has been causing the UK government some concern because it is having an increasingly heavy impact on Britain's balance of payments. In the first nine months of 1988 the country's trade deficit on cars rose to a massive £3.7bn and almost certainly increased in the last quarter.

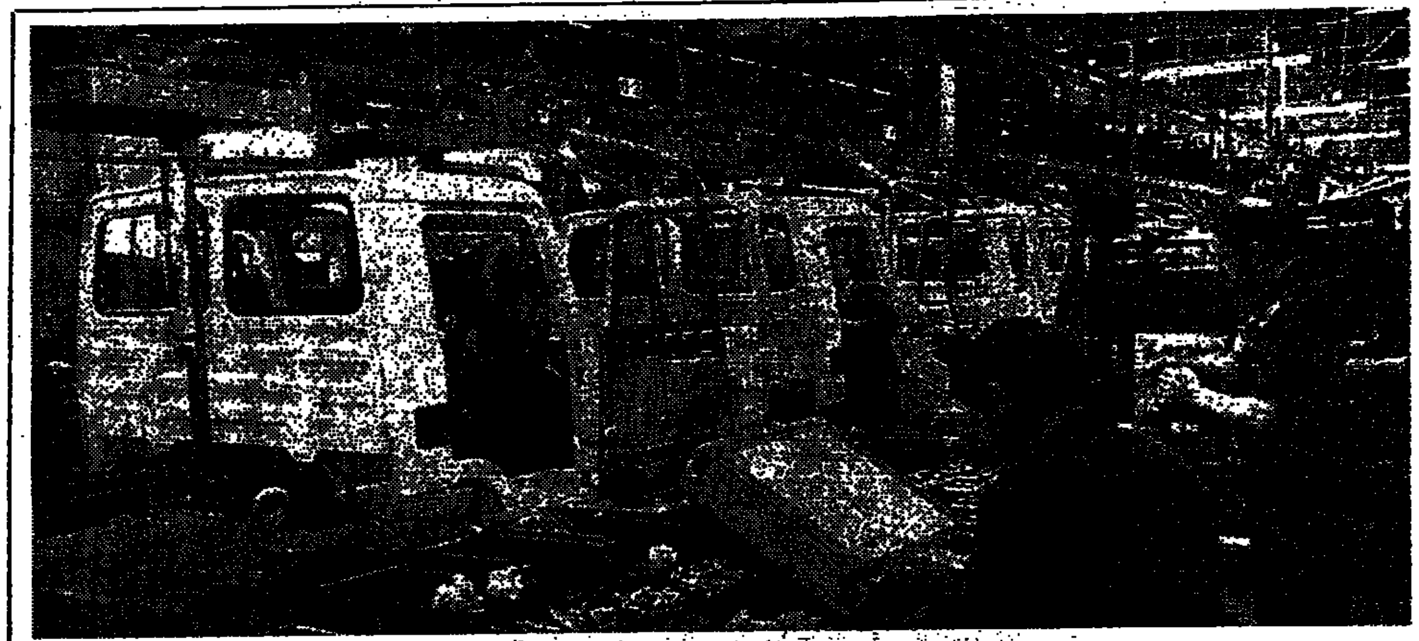
UK FLEET CAR SALES*

	1988	1987	% share	% point change
Ford	292,631	267,606	44.81	−4.5
Vauxhall	156,620	131,160	23.98	−0.18
Rover	123,316	90,072	18.88	+2.29
Peugeot	22,738	10,674	3.48	+1.52
Renault	18,133	16,222	2.78	−0.21
Fiat	10,262	6,507	1.57	+0.37
Nissan	8,760	4,753	1.34	+0.47
VW/Audi	6,804	4,753	1.04	+0.17

* To companies operating fleets of 25 cars or more

THE BEST-SELLERS
(Percentage share of the UK fleet market,)

1. Ford Sierra 16.99
2. Ford Escort 11.16
3. Vauxhall Cavalier 9.62
4. Ford Fiesta 7.56
5. Vauxhall Astra 7.45
6. Rover Montego 5.42
7. Ford Orion 5.28
8. Rover 200 4.83
9. Rover Metro 3.93
10. Ford Granada 3.81



Leyland truck manufacture in Lancashire: output has expanded but not enough to keep pace with the growth in UK business

UK trucks market

ERF's star in the ascendant

THE UNDOUBTED star of the UK heavy truck market last year was ERF, which was struggling for survival at the beginning of the 1980s.

A number of factors came together to make this revival possible, not the least of which was the major restructuring of the British truck industry in the wake of the severe recession in the early part of this decade.

This upheaval involved the complete withdrawal of General Motors, the world's major automotive group, from medium and heavy truck production in the UK where its Bedford subsidiary had been building such vehicles since 1931.

GM's move left Bedford's market share – about 10 per cent in recent years – up for grabs.

Britain's truck business was also shaken up by two big "mergers." Ford handed over its medium and heavy truck operations in the UK to Iveco, the Fiat-owned group, which took management responsibility for the merged operations and will provide future products. Then Daf of the Netherlands took over Leyland Trucks from the Rover Group. No money changed hands but Rover, now part of British Aerospace, ended up with 40 per cent of the combined group.

ERF almost certainly gained from all this manoeuvring in that it became the only British-owned truck builder. That situation changed at the end of 1987 when Mr David Brown bought the Bedford assets from GM and started a revival programme with his new company, AWD.

All this could not have been foreseen by the ERF management. But ERF had been taking carefully-considered steps to broaden its range by moving down into the 16-tonne sector.

This helped stimulate a return of confidence in the company at the end of 1986 by customers who previously must have wondered whether ERF had a long-term future. The company had, after all, incurred losses totalling £11.3m in the 1980-83 period.

Compared with that dismal performance, ERF is expected to report taxable profits of more than £7m for the year to March 1989 and has announced a one-for-four rights issue. It has brought a new assembly line into operation at its Middlewich site to complement the main assembly hall not far away at Sandbach in Cheshire and is considering a third assembly site in the county.

Last year ERF outpaced growth in the UK's heavy truck market, increasing registrations by more than 49 per cent, from 2,507 in 1987 to 3,740.

Compared with this, the total market for heavy trucks (over 3.5 tonnes gross weight) rose by 17.2 per cent last year to 67,918, according to Society of Motor Manufacturers and Traders' statistics. This was the second-best year for the UK market but still some way behind the record 79,056 heavy truck sales achieved in 1979.

Iveco Ford was also in a position to take full advantage of the booming truck market last year because its new organisation had settled down almost completely from the upheavals which inevitably come with any big merger.

The group's heavy truck registrations jumped by 35.7 per cent to 16,403, giving it very clear market leadership in the UK.

British-built trucks contributed 13,130 towards last year's Iveco Ford registrations compared with 9,693 in 1987, while the group's imports jumped from 2,392 to 3,265.

Meanwhile, Leyland Daf, which still maintains that its corporate aim is ultimately to take the leadership of the UK heavy truck market, just about kept pace with the market growth last year. Its registrations moved up from 13,003 to 15,264.

Within the total, imports did much better in percentage terms, increasing by 30.5 per cent from 2,894 to 3,779 as the Daf models regained ground lost during the early days of the merger in 1987.

But Leyland Daf was short of vehicles last year. Daf's Eindhoven factory in Holland was working at maximum capacity, making sure the company either held on to or improved upon its share of each of the west European truck markets – an objective which was achieved.

Output from the truck plant at Leyland in Lancashire expanded, but not fast enough to keep pace with the growth in the UK business. Leyland has increased production by 60 per cent since the merger.

Daimler-Benz, the Mercedes group which is Western Europe's major truck producer, gained ground in third place in the UK market as its registrations increased from 8,350 to 10,296 or 23.3 per cent. This was calculated to be just about as fast a growth as was possible without putting an intolerable strain on the dealer network and other back-up services which Daimler-Benz has carefully nurtured in the UK for the past 10 years or so.

Seddon-Atkinson, owned by Enasa, the state-controlled Spanish truck group, was among last year's "winners" in the heavy truck market, showing a 27 per cent increase in registrations, from 1,757 to 2,234.

From an even smaller base, Foden, part of the Paccar group of the US, more than doubled registrations, from 696 to 1,583. Both Seddon and Foden gained some impetus from new products.

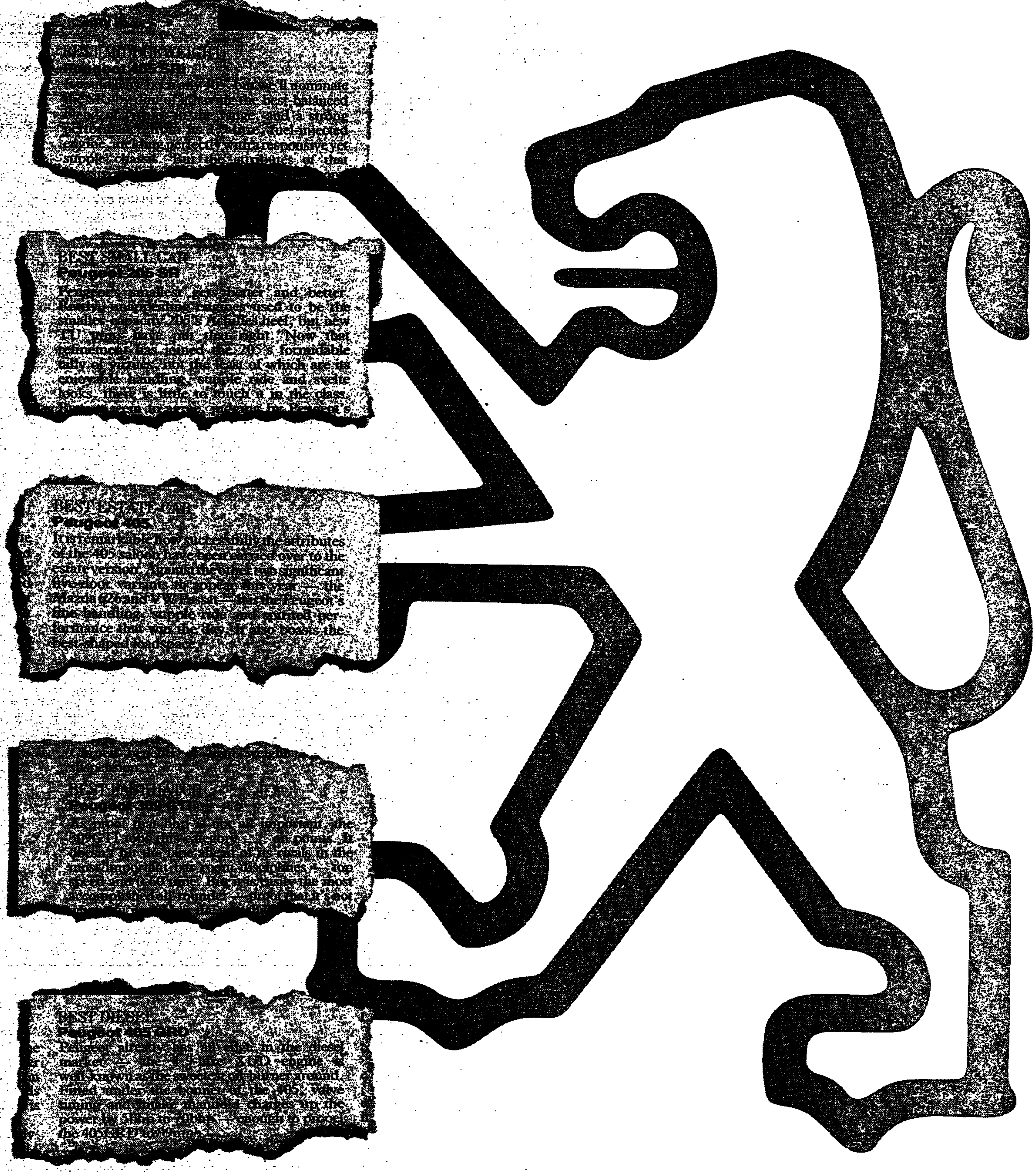
The two Scandinavian producers, Volvo and Scania, both suffered from shortages caused by the national strike of white collar workers in Sweden in the early part of last year. This had the knock-on effect of restricting components for the Volvo assembly plant in Scotland.

Consequently, Volvo's registrations moved up by – in last year's terms – a relatively modest 13 per cent, from 6,063 to 6,843, while Scania's increased by 11 per cent, from 2,836 to 3,150.

Renault Truck Industries, which builds trucks in the UK at Dunstable and is part of the state-owned French group, saw its registrations drop by 8 per cent, from 5,043 to 4,639. But the company's performance in 1987 had been boosted significantly by sales of midi-buses based on its 50-series trucks, in demand because of bus de-regulation in Britain.

Last year sales of 50-series for midi-buses fell by 40 per cent or 900 units and, although RTI increased its penetration of other heavy truck sectors, this did not compensate in unit terms for the drop in midi-bus business.

Kenneth Gooding



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SOURCE: AUTOCAR & Motor DECEMBER 28TH 1988.

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VANS

A healthy market

BRAZILIAN VEHICLES and some from Portugal were launched in the UK for the first time last year, proving, once again, that Britain's growing van market provides exceptionally fertile ground for the automotive multinationals.

The Brazilian vans come from Fiat's factory in that country. They are based on the Italian group's best-selling Uno car and called the Fiorino, replacing small box vans of the same name previously derived from the Fiat 127 car.

Ford also replaced a car-derived van. The P100 pick-up, previously based on the old Cortina/Taunus and built in South Africa, has given way to the P100 derived from the Sierra and produced at Ford's Azambuja factory in Portugal.

This all stems from the multi-national motor groups' desire to gain economies of scale by building vehicles which sell in relatively low volumes in one factory for distribution throughout a wide geographic region.

For example, Ford's Portuguese plant will supply all European demand for the new pick-up. So far, Ford has not launched the new P100 outside the UK and will not do so for a month or two until it has enough of its new turbo-diesel engines for the vehicles. A diesel engine is an absolute necessity for market success in the European one-tonne pick-up market.

In the UK last year, the new Ford pick-up was off to a good start and nearly 4,700 were registered compared with the 1,540 South African-built models sold in 1987. However, that total was depressed because it was widely-known that a Sierra-based vehicle was on the way.

Shortages of the Uno-based Fiorino cost Fiat some loss of market share in the small van sector last year and its sales dropped from nearly 2,000 to about 1,600.

Another example of increasing "globalisation" of vehicle assembly comes from Suzuki. This Japanese group grabbed a growing share of Britain's van market with vehicles built in the UK.

General Motors, the Vauxhall-Opel group, is producing European versions of a Suzuki micro-van at its Bedford plant in Luton. These vehicles have a European content of more than 60 per cent and are sold as the Bedford Rascal through GM's car dealer network and as the Suzuki Carry by Heron Suzuki, the Japanese group's importer in Britain.

Made in Brazil, selling in Britain: the Fiat Fiorino

Sales of the Suzuki version soared by 19 per cent last year to 3,354, safely above the target the Japanese group set itself when they were launched three years ago.

Registrations of the little Bedford Rascal rose by nearly 20 per cent last year from the 1987 level to 31,550.

GM, the world's largest automotive company, has a small shareholding in Suzuki and owns more than one-third of another Japanese company, Isuzu, on which it has been relying for another Japanese-designed van built and sold in Britain – the Bedford Midi.

The Midi has not been as successful as GM hoped and last year, at a time of record market demand, registrations fell by 9.5 per cent to 8,192.

Spain is among the countries doing increasingly well out of the world motor industry's international approach. Last year Seat, now owned by Volkswagen-Audi of West Germany, launched vans for the first time in Britain. Its Terra van is based on Seat's Marbella car.

Two Japanese groups, Nissan and Suzuki, are also selling in Britain commercial vehicles that are built in Spain.

The Society of Motor Manufacturers and Traders reckons that van sales in the UK reached a record level last year. Sales of small vans such as car-derived and micro-vans (up to 1.8 tonnes gross weight) increased by 13.4 per cent from the 1987 level to 117,662.

The share taken by imports dipped from 29.8 per cent to 28.6 per cent, partly because of shortages of the Fiat Fiorino.

Ford, the small van market leader, and the Rover Group, now part of British Aerospace, lost market share last year, even though their registrations increased – Ford's from 33,259 to 36,844 and Rover's from 17,647 to 19,511.

Spain is among the countries doing well out the motor industry's international approach. Seat, now owned by Volkswagen-Audi, has launched vans in Britain

This left Rover well behind GM-Bedford, in second place in the sector with registrations up from 26,555 to 31,847.

The French continued to make hay in the healthy market conditions. Renault's small van sales jumped by 20 per cent to 6,331, while Citroen, part of the Peugeot group but operating in the UK through a separate dealer network, managed a 26 per cent rise to 3,367.

Citroen has particularly benefited from being able to offer a well-liked diesel engine in its car-derived C15 vans. The group has also been doing so well in the UK car market that it has been able to afford to recruit a fleet team, including a specialist to concentrate on the van business.

Last year Citroen tackled the medium van sector seriously for the first time and 1,037 of its C25 panel vans were registered. *As the C25 was introduced* to the UK only at the end of 1987 just 320 were sold that year.

Citroen's performance was only one factor in the big jump in the importers' share of the medium van market (1.81-3.5 tonnes gross weight) last year. Importers captured 45.4 per cent, up from 41.2 per cent in 1987.

The poor performance of the Bedford Midi contributed to the fall in the share hold by UK-built vans. Meanwhile, output of Sherpa vans from Freight Rover, the Rover Group subsidiary, was held back by a five-week strike at Land Rover, the sister company which provides many components for the Sherpa. At the same time the Freight Rover management was reluctant to move to double-shift working even though the company could produce no more vehicles on a single-shift.

Consequently, Freight Rover's registrations in the UK last year moved up by only 1.8 per cent to 17,146.

The biggest influence on the statistics was the inability of Ford to supply sufficient Transit vans, Europe's best-selling vehicle of its type. Once again Ford's failure to keep pace with diesel engine demand played its part – Ford says it could not build enough diesel Transits either for the UK or for other European markets.

Ford did manage to keep pace with growth in the UK medium van sector, however, but only by courtesy of the big increase in imported P100 pick-ups.

According to the SMMT, registrations of medium vans increased by 12.26 per cent to 150,339 last year. Ford's sales rose by 12 per cent to 62,994.

Among the importers which outpaced the overall market growth last year were Fiat, with medium van sales up by 15.4 per cent to 3,507; Daimler-Benz, up 18.7 per cent to 8,338; Renault, up 27.7 per cent to 11,864 and Nissan, up 39.89 per cent to 11,459 with vans mostly from Japan but including last year 2,869 from Spain.

Kenneth Gooding

A fall in demand for trailers

Braced for a shock

THE TRAILER manufacturing industry is bracing itself for a shock this year as demand turns down after three years of solid growth.

No-one is expecting a return to the very low sales levels of *the recession years of the early* 1980s, but there is widespread agreement that 1989 will be, at best, a year of consolidation.

There are no official figures for the size of the UK trailer fleet, or for the annual rate of growth, because there is no requirement for trailers to be registered with the Transport Department.

However, industry sources agree that UK production reached around 14,500 units last year – an increase of around 20 per cent on 1987, and around 45 per cent up on 1986.

This strong growth surprised many observers, who had feared that the stock market crash in October 1987 would lead to a loss of confidence, particularly in the retail distribution industry, which accounts for a large proportion of trailer sales.

The fear was that many operators would decide to delay their trailer replacement programmes, relying on extending the life of older units rather than investing in sophisticated new equipment.

In the event, the industry was saved by the failure of the crash to feed through from the financial markets into the real economy, and by the time lag between orders and delivery, which cushioned the immediate impact. Manufacturers had enough orders on their books in October to keep them busy until June, by which time it was clear that the crash was not going to lead inevitably to a recession.

In the event, there was a boom in orders reflecting both the low interest rates which were available for part of the year, and the increased demand from the distribution industry in the face of a runaway consumer boom.

The chickens came home to roost at the end of the year, however, and it is primarily the big increases in interest rates used by the Chancellor to dampen the consumer boom which have led to gloomy forecasts for the present year.

Estimates of the outlook vary, but the Society of Motor Manufacturers and Traders (SMMT) suggests that the rate of increase in demand will level off as the year progresses, possibly dipping below the present level by the end of the year.

Estimates vary about the outlook for trailer sales in the UK. A key indicator is the extent to which consumer demand for white goods recovers at retail outlets

The key indicator will be the extent to which consumer demand recovers from the Chancellor's shock treatment, as reflected in the movement of white goods to retail outlets.

In the short term, the uncertainty is having the perverse effect of making it difficult for operators to get hold of new trailers, since manufacturers are reluctant to increase staff to deal with the high level of orders only to find that redundancies become necessary later in the year.

The problems of success are a welcome tonic, however, for an industry which was in severe difficulties only a few years ago, facing retrenchment, rationalisation and fierce competition from European imports.

The SMMT estimates that the total UK market for trailers was around 18,700 units last year, which would indicate that import penetration has stabilised at around 22 per cent after more than doubling in the early part of the decade.

The market remains dominated by the big three UK producers – Crane Fruehauf, with around 32 per cent of UK production and 24 per cent of the total market; York Trailer, with 29 per cent and 22 per cent respectively; and Craven Tasker, with 18 per cent and 14 per cent. The balance of the market is fragmented between a large group of smaller and specialist producers.

Two major trends look set to dominate the industry in 1989:

- A steady move away from flat platform trailers and towards more sophisticated curtain siders, dry van and refrigerated trailers has become clear over the last few years as operators have responded to customers' demands for greater load security and weather protection.

The spread of refrigerated and chilled trailers has also been promoted by the rapid development of out-of-town supermarkets, with a big turnover of fresh food. In addition, some operators have been worried about insurance claims for damaged goods carried on open trailers.

As a result, sales of platform trailers fell to around 22 per cent of the market last year, while curtain siders and other multi-access-point vehicles accounted for 33 per cent; dry and refrigerated vans for around 29 per cent; and tankers, low loaders, tippers and other specialist units for around 16 per cent.

However, sales of platform trailers are thought likely to bottom out at around 20 per cent over the next couple of years, since they provide a flexibility which remains important, particularly to the hire and reward sector.

- The increasing popularity of air suspension was given a significant boost by legislative changes introduced in January which increased permissible axle loads on tri-axle trailers, provided air suspension is fitted.

Operators were already moving towards air suspension because of its better ride qualities, and the better weight distribution it provides, which allows a higher payload. Crane Fruehauf, for example, says more than 50 per cent of its trailers were fitted with air suspension last year, compared with less than 2 per cent three years ago.

However, the recent changes in the law are thought likely to promote further growth. Operators will also have their eye on the proposed increase in maximum lorry weights from 38 tonnes to 40 tonnes, which is likely to be tied to air suspension.

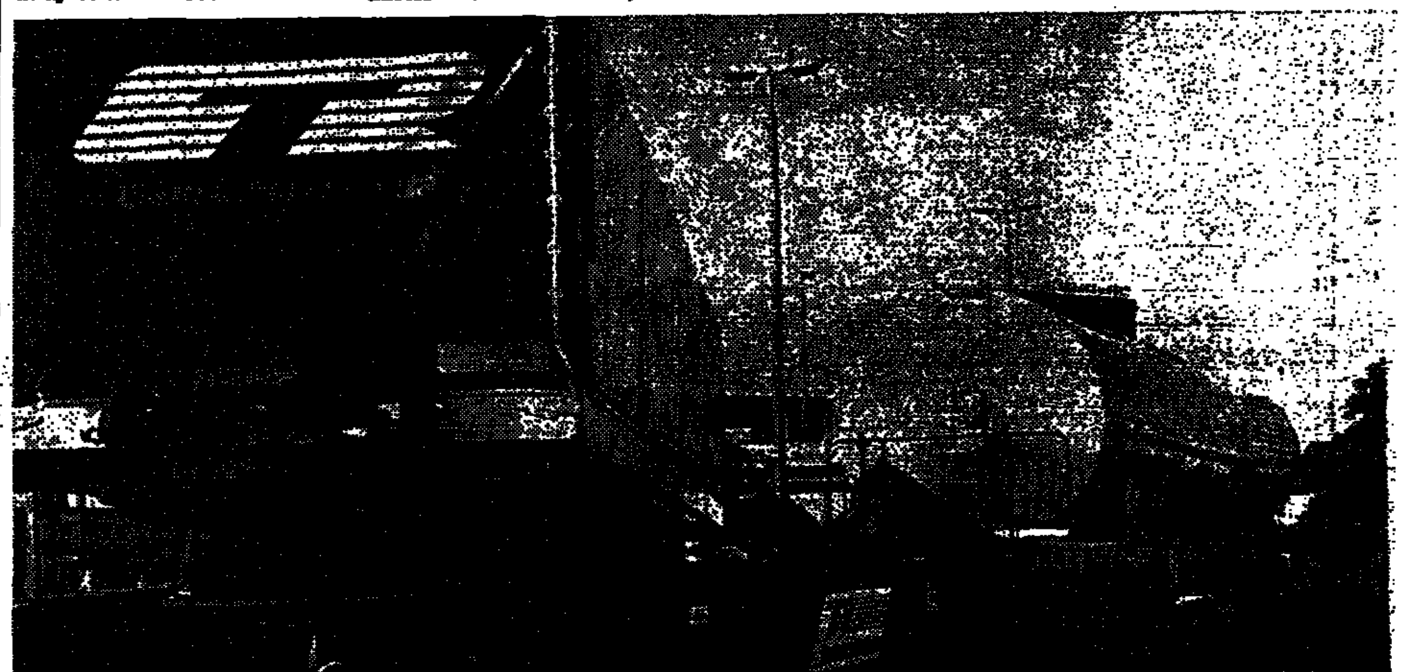
The approach of 1992, when the European Community single internal market is due to be completed, has not yet affected purchasing patterns, apart from those rental companies such as TIP Europe which buy a proportion of trailers for use on the Continent.

This could change, however, if Continental governments, notably France, succeed in persuading the EC to harmonise the regulations on the length of articulated vehicles on a basis which would not limit the length of the trailer.

The UK Transport Department is opposed to this sort of harmonisation, and would prefer to retain its current rules, which limit the length of the trailer in order to prevent reductions in the size of the driver's cab.

Longer trailers allow a bigger payload of lightweight goods, however, and in the long run the commercial logic may prove difficult for the UK to withstand.

Kevin Brown



Trailer rental groups such as Tiphook and TIP Europe are seeing rapid growth - the latter hired out 10,000 trailer in a week.

More trailer operators opt for rental schemes

The pattern changes

FREIGHT trailer equipment is becoming increasingly sophisticated and more expensive. At the same time, fleet operators are having to contend with considerable uncertainty over future market and legislative requirements.

The net result is that more and more trailer operators are opting out of outright purchase and switching instead to rental for both domestic and international transport activities – a fact reflected in the current rapid growth of leading European trailer rental companies such as Tiphook and TIP Europe. The latter recently claimed to have created a new record for the European trailer rental industry by hiring out more than 10,000 trailers in a single week.

Further evidence of the growth in demand for trailer rental comes from major truck rental companies, such as BRS which are noticeably stepping up their involvement in this particular business.

Much of the current impetus for the expansion of trailer rental business centres on the European Community's plans to create a single internal market by 1992. Mr Chris Jepson, European development manager for TIP Trailer Rental, said his industry was now looking very closely at the impact of harmonisation proposals associated with the planned single internal market.

There are also signs that individual countries will continue to favour indigenous manufacturers and operators. Whilst some countries are struggling to catch up to the European Community proposals, others are pushing the boundaries further in terms of higher weights and longer lengths. The result will be a series of bilateral and trilateral agreements between various member states, he said.

"Where there is change and uncertainty, *there is opportunity* for rental. Acquiring depreciating assets in an uncertain world does not make commercial sense.

Similar thinking is encouraging the National Freight Corporation's group truck rental *company*, BRS, *to expand its* trailer rental operations. Some £5m has been invested in new trailers over the last year to bring the total short term trailer rental fleet up to 1,300 units. Current plans envisage further investment of around £5m a year for the next three years.

Mr Colin Barr, group marketing manager for BRS trailer rental, said that UK trailer rental organisations could not expect to be able to meet the demands of their customers in the future unless they were able to offer them trailers suitable for operation throughout Europe.

Much of the impetus for the expansion of the European trailer rental business centres on plans for a single market by 1992 and the impact of harmonisation proposals

For example, this year the UK will accept reefer (refrigerated) units built to a total width of 2.6 metres, as against a previous limit of 2.58 metres, which brings it into line with a number of other European countries. As a result, BRS has ordered some new 2.6 metre units from a West German manufacturer.

"We are generally purchasing more trailers which are suitable for European operations, for example, tri-axle stepdeck tilts and tri-axle straightframe tilts, Mr Barr added.

As well as wanting units which can operate throughout Europe, trailer fleet operators are also demanding better quality and more sophisticated equipment. A case at point is air suspension which is now in greater demand because of the greater trailer and load stability, driver comfort and safety, it provides. Other customers require equipment with tail lifts to facilitate easier loading/unloading operations.

Mr Barr of BRS said that to date, his company's rental trailers have basically been standard units such as tandem axle box vans and curtainsiders. With the recent investment, the company is bringing in tri-axle curtainsiders with air suspension, tandem-axle reefers and tri axle platforms.

"We are also now purchasing a number of tandem axle stepdeck vans and tandem axle stepdeck curtainsiders to increase the range of trailer types available for rental to around 22 or 23 as opposed to the handful of different specifications we had until recently," he added.

Meanwhile, leading European trailer and container rental company Tiphook has recently introduced a new road/rail intermodal transport system, incorporating the piggyback concept, for use in the UK and Continental Europe. Mr Michael Barclay, Tiphook Rail managing director, said the company intends to spend some £10m on building an initial rental fleet for a system of 100 specially-designed rail wagons and 200 road trailers.

The wagons will be able to go anywhere in Europe except (for the time being) Finland and Spain. Equipment will be available for rental by manufacturers, freight service and terminal operators and possibly rail organisations as well, said Mr Barclay.

The wagons and road trailers make up the two basic components of the Tiphook piggyback system. An hydraulically-controlled platform section of the rail wagon swings out horizontally, allowing a trailer to be reversed on. Power is supplied by the attendant tractor unit.

Unlike other comparable systems, though, the tractor unit is then detached, allowing a separate unit to be used at the completion of the rail journey. No other special lifting or mechanical support is required, claims Tiphook, and the system can be operated alongside any rail track with adjacent hardstanding.

With equipment getting ever more sophisticated and legislative requirements ever more complex, trailer fleet rental companies now stress the importance of equipment supplier and user getting together to discuss requirements in detail before any decisions are made. Trailer equipment rental now involves as much consultancy activity as truck or even car rental.

Currently, the UK trailer rental market is estimated to involve around 200,000 units of more than 16 tonnes. But the number is growing rapidly and industry observers expect the expansion to continue over the next few years.

"The trend to rental and leasing will accelerate in the next decade. Unless any operator can be absolutely certain of future needs in an environment of change, then the best solution will involve determining the correct balance between rental and leasing," commented Mr Jepson of TIP.

Philip Hastings

ITALY

Accelerated growth

THE 1980s have been a boom decade for the fleet market in Italy. Ten years ago, sales were about four per cent of total auto registrations, a figure which doubled in the following five years.

"Last year, with new registrations hitting record levels, sales to fleets took about 12.5 per cent of the 2m total," says Mr Sergio Mia, General Motor Italia's chairman and chief executive.

One of the reasons why Fiat and importers are enjoying an expanding fleet market is tougher cost control and and tighter structure among the country's businesses. "Companies are increasingly reluctant to pay mileage allowances for privately-owned cars, particularly because these generally far exceed costs. The mileage allowance is no longer acceptable as a salesman's perk," notes Mr Mia.

Having opted for their own fleets, as companies are increasingly doing, the purchase/leasing issue is the biggest choice on which decisions must be made. There is no pattern of preference, though leasing seems to have the edge for large private fleets.

The hydrocarbons holding corporation, ENI has leasing contracts on the 60 cars which operate from its Rome headquarters. ENI has its own leasing subsidiary, Serleasing, and fleet business is pushed in this direction. Faced with average annual use of about 22,000km, the corporation changes its cars (a mixture of Fiat Pandas, Ritmos and Cromas for ease of local maintenance) every three years. Average running costs including fuel are about L400 per km.

Another oil major, Mobil Oil Italiana, also leases its 150 cars, though its fleet of 450 tankers and vans is company-owned. Mobil's renewal policy is to run units in the company-owned part of the fleet for as long as possible.

The cars used by its sales force, mainly Fiats but with a leavening of sporty Alfa Romeos, are on three-year or 100,000km full leasing contracts. Average annual leasing instalments, allowable against company income, are around L8m.

And at Olivetti, the management is turning towards leasing and away from its present policy of ownership. Europe's largest office automation company operates its own fleet of 220 vehicles from its Ivrea headquarters near Turin. One half are cars, the other half being vans and light trucks for goods transport between the various plants around Ivrea.

"Being in the sticks makes it necessary to have a large fleet for passenger transport," says a company spokesman. Indeed, the company finds it necessary to call on a further 40 hire cars in the Canavese area around Ivrea. Olivetti's own cars are subject to heavy use, covering about 100,000km annually on average.

Olivetti's replacement policy is that no vehicle should be more than five years old (thus fully depreciated) nor log more than 200,000km. Outside its headquarters, however, Olivetti uses more than 200 leased cars for its national sales and service forces. And the company has decided that vehicle ownership will be phased out and that leasing will be introduced for the Ivrea fleet.

"The mileage allowance is no longer acceptable as a salesman's perk"

In contrast, in the industrial town of Pomezia, just south of Rome, the pharmaceuticals manufacturer, Wellcome Italia, is moving in the opposite direction: "We have 220 vehicles of which 120 are leased cars mainly for the sales force. However, we started to abandon leasing last year because of the expense," says Peter O'Flynn, Wellcome's finance manager.

As a first step, the company bought 10 cars and is purchasing a further 10 in the current year in order to compare costs of ownership with leasing.

"Full leasing works fine, but the interest rates charged are higher than our local financing costs. With full depreciation of 20 per cent plus an accelerated quota of 15 per cent cars can be written off in less than three years," noted Mr O'Flynn.

Wellcome's sales force uses Fiats, previously Ritmos but now Tipos, and the company's three-year leasing contracts are with the Fiat subsidiary Sava Leasing.

A small quantity of cars are leased for senior managers, who are also permitted to choose other makes like Mercedes, Audis and Rovers, the limitation on choice being engine size up to 2 litres.

Whether owning or leasing, pharmaceuticals companies are prime targets for Fiat and auto importers in Italy.

"It is one of the largest and most attractive segments," says Mr Mia at General Motors. He notes that a switch to purchasing from leasing reflects higher corporate profits as much as differentials on finance costs.

GM Italia is able to draw on its parent's wide international experience in selling to fleet users. This helps to explain why fleet sales account for about 17 per cent of total sales at GM Italia, well above the national average.

"We are up against a deeply embedded 'buy Italian' mentality, particularly in the large state sector. But we are making ground convincing multinational buyers to choose imported models," says Mr Mia.

Indeed, Fiat easily holds the biggest share of Italy's fleet market. With the Panda it had 88 per cent of segment 'A' fleet sales last year, while the Uno in segment 'B' held 53 per cent and the Duna and Tipo in segment 'C' together held 47 per cent. But in the higher segments, 'D' and 'E,' Fiat's share was considerably lower at about 25 per cent.

Fiat is less bullish about prospects than GM Italia. The Turin company believes that the rate of growth will level at around 15 per cent of total car sales.

The company points to the way in which uncertainty over leasing rules and the raising of the minimum lease to three years knocked its leasing sales to fleets from 35 per cent in 1987 to 30 per cent last year.

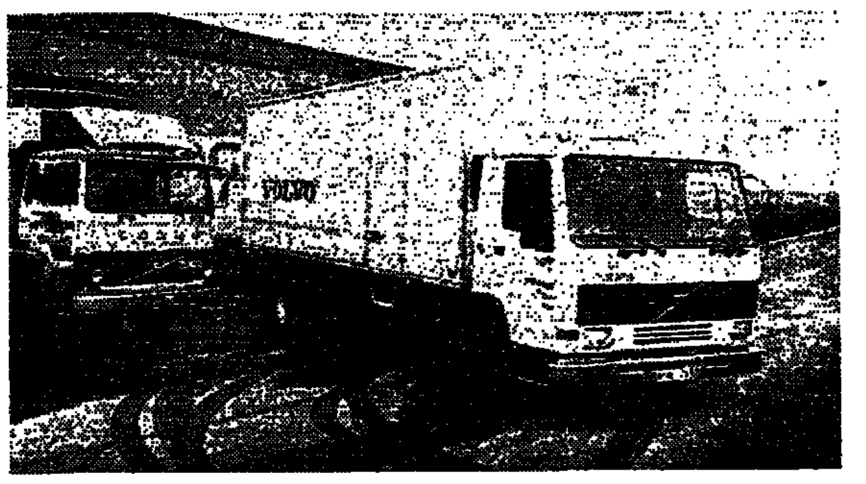
Mr Mia is more optimistic, predicting fleet sales exceeding 20 per cent of total market within five years.

"We notice that car hire is growing rapidly. Companies like Avis, Hertz and Maggiore are expanding their fleets quickly. If leasing encounters obstacles, then car hire by the corporate sector will increase still further," he confidently forecasts.

David Lane

SWEDEN

Tax changes shake up cosy sector



The commercial vehicle market is worth Skr15bn. Above: Volvo and Scania models

RECENT and proposed tax changes have introduced an element of uncertainty into Sweden's sizeable and normally stable commercial vehicle market.

The changes are linked to the Government's policy of taxing all corporate perks above Skr600 as personal income. Under the former rules, employees paid personal tax on their company cars according to a sliding scale based on the value of the vehicle. The result for the average employee was that about 10 per cent of the car's value was considered taxable income once driving expenses were deducted.

But in 1987, the Government introduced new tax regulations which mandated that 22 per cent of the list price of all company cars would be considered taxable income. In addition, the deduction of expenses for company cars was eliminated.

"The Government has gradually been putting on the screws. What was once a freebie for employees has become a liability for some," says Mr Peter Salzer, a spokesman for SAAB, Sweden's second largest car maker.

The initial fear among suppliers was that the new tax rules would lead to a decrease in corporate orders. But the number of vehicle sales to corporate clients has remained steady so far, although a sales boom among the general public has reduced the corporate segment of total new car purchases.

Of the 343,900 new cars bought in Sweden last year, an estimated 35 per cent were sold or leased to companies, compared with 45 per cent in 1985, according to the Swedish Motor Industry Association.

"Sales continue to be stable because the new tax rules have both negative and positive effects balancing each other out," says Mr Klas Ericsson, fleet sales manager for Volvo Svenska Bil, the domestic sales arm of Sweden's leading car maker.

Employees who travel long distances frequently, such as service representatives and salesmen, have been hurt by the tax changes, since they are no longer able to claim petrol costs as a deductible expense if a company car is used. With the possession of a company car threatening to push them into a higher tax bracket, many now prefer using their own cars on business, allowing them to recover expenses.

An added incentive is that credit conditions for personal car purchases have eased, and companies are more willing to give employees loans for car purchases.

But demand for company cars among managers has grown. Previously, employees had to prove to tax authorities that their company car was primarily used for business purposes if they wanted to avoid being taxed for the full value of the vehicle. This penalised executives in particular, since they travelled less often than service staff.

This requirement has been abolished under the new tax rules, although the company must pay all petrol costs for the vehicle if it is to be subject to the 22 per cent taxation rate instead of 100 per cent. "It has made it easier for companies to reward managers, since there is no limit on the car's use," explains Mr Ericsson.

Still, concern remains that companies might cut back orders in the future. One reason is that the new regulations force companies to pay increased social taxes for any employee with a company car. Social taxes are linked to the worker's salary, and the increased valuation of the vehicle amounts to a pay increase.

The Government has clamped down — what was once a freebie has become a liability

"Company cars are already a costly proposition in Sweden with petrol and maintenance expenses, insurance, VAT, excise tax, the annual car tax and interest costs if leased," says Mr Tommie Johansson, fleet sales manager for SAAB-Ana, the domestic sales division of SAAB. "Under the new rules, companies now face climbing social taxes, since the list price for cars in Sweden is rising by 7.5 per cent annually."

Even if corporate orders do not decline, Swedish car makers are worried about companies buying cheaper Japanese models. "There is growing pressure among some employees on companies to provide them with less expensive cars so that their taxable income does not rise substantially," says Mr Salzer.

The corporate sector is a major buyer of the two Swedish car makers' output, accounting for 40 per cent of their domestic sales, with Volvo and SAAB claiming about 40 per cent of the Skr15bn commercial vehicle market, according to the Swedish Motor Industry Association.

It is too early to tell if Japanese car makers have made major inroads into the corporate market, although their share of total Swedish car sales has climbed from 21.7 per cent to 25.5 per cent in the past year, while the share for Swedish car makers has declined from 28.3 per cent to 26.8 per cent, according to the Association.

Sales and leasing framework contracts between suppliers and companies are usually concluded every two years, disguising the effects so far of the tax changes. But "we have noticed that the Japanese have focused their attention on fleet sales in the last several years," says Mr Ericsson.

It has increased competition in what once was a relatively cosy market. "Companies previously ordered their cars from one or two suppliers. Now there is a diversity of models within a single company."

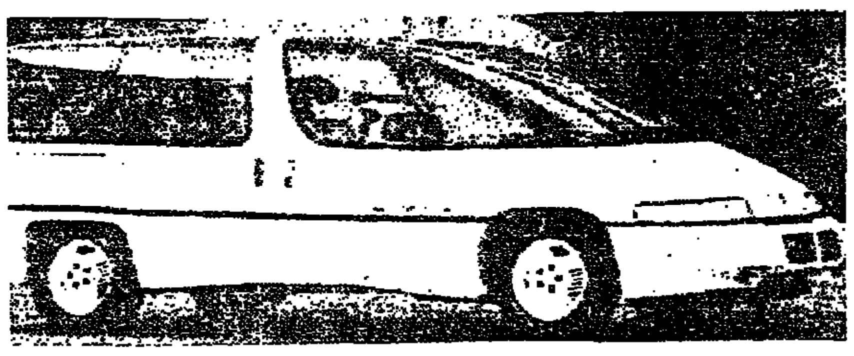
Competition has lead to an improvement in service support packages, including discounts on petrol and insurance and low interest rates on leasing, in addition to a 6 to 8 per cent discount on vehicles. Particular attention has focused on vehicle options, since the new tax rules state that up to Skr20,000 worth of accessories can be provided without being considered part of the list price and thus subject to taxation.

The proposed overhaul of the Swedish tax system in 1991 will cause further changes to the commercial vehicle market. Although details have not been completed, it is likely that the income valuation of company cars will be raised to 30 per cent, although the effects of this will be balanced by lower marginal tax rates on personal income.

Some analysts believe other tax changes may lead to a growth in the commercial vehicle market. The Government, for example, may limit the amount of expenses that can be deducted for use of a personal car for business purposes, making the possession of a company car more attractive. But others believe proposed restrictions on corporate deductions for capital expenses may pose a new threat to the commercial vehicle market.

There is agreement, however, that Swedish companies will continue to rely on vehicles as a major mode of transportation. "Driving by employees is a tradition in Sweden instead of travelling by train or airline," says Mr Johansson. "The distance between Swedish cities is relatively close and the widespread use of mobile telephones has turned the car into a mobile office."

John Burton




New from General Motors: two front-wheel drive mini-vans with plastic bodies, due to go on sale later this year

Karen Zagor on a US bid to curb mileage fraud

Wrong distance runner

US VEHICLE fleets are looking to final decisions on a number of legislative issues which could have a lasting impact on the industry. Two of the more important are the Truth in Mileage Act and the Clean Air Bill.

Odometer tampering, which is broached under the Truth in Mileage Act, has been a concern of Congress since the early 1970s, when the first legislation to curb it was passed. By the 1980s these measures were no longer sufficient and it was estimated that odometer fraud cost consumers about $2bn annually.

In 1986 Congress passed the Truth in Mileage Act to tackle the problem. According to the bill's sponsors, "a significant part of this fraud involves vehicles which have been used by lease companies in the fleet business."

When the National Highway Traffic Safety Administration issued a draft of regulations based on this law, several petitions were filed, primarily by fleet and leasing representative bodies.

Over two years, several amendments were made before the Final Rule for the implementation of the Truth in Mileage Act was passed in August 1988. This was considered satisfactory overall by the fleet business, except for one clause.

A petition against that clause, which requires sellers to obtain a copy of the title, fully signed with odometer disclosure, from the buyer after the sale and to keep the document for five years, has been made by PHH Fleet America. A final decision is expected early this year.

The stringent controls endorsed by the proposed Clean Air Bill are of particular concern to fleets in so-called "non-attainment areas", such as San Diego, Los Angeles, Newark, New York and Anchorage, where the air contains an excessive level of carbon monoxide.

Under the bill in its current form, fleets in these areas will be required to use such low emission fuels such as methanol, ethanol and compressed natural gas or electric vehicles. They will also be required to use vehicles fitted with devices to recover the hydrocarbon vapours which are released during refuelling.

Almost all fleet cars are US models; imports have traditionally been regarded as problematic, particularly on the distribution front. Fleet managers complain of trouble getting cars on time and with the specifications requested by the driver.

However, foreign auto manufacturers are expected to increase their fleet market share because they are raising the number of vehicles they assemble in the US from about 800,000 units in 1988 to some 2.3m in 1990. Some of these will inevitably trickle down to the US fleets, given the popularity of many foreign cars in the general US market.

The picture is different for light trucks, where the market is unlikely to be infiltrated by foreign models primarily because of the high reputation of US trucks among customers. A 25 per cent tariff on imported trucks acts as a further deterrent.

A survey by the National Association of Fleet Administrators provided some insights into who drives US fleet vehicles.

According to the survey's findings, company cars are considered a fringe benefit for 52.8 per cent of US fleet drivers. In 26.1 per cent of cases a driver's annual mileage warrants a company car and a vehicle accompanies a job title only 11.7 per cent of the time.

On average US fleet drivers cover 1,975 miles a month, of which 408, or 20.7 per cent, are for personal trips. It is acceptable for a vehicle to be used for personal journeys by 87 per cent of fleet managers. However, more than 13 per cent allow personal use of a fleet car only to and from work.

As many as 83.3 per cent of US fleets charge drivers for personal use of the car. The most popular method is to charge a number of cents per mile and a flat rate per week or month. The average weekly charge is $23, or $58 a month with 17.5 cents charged per mile.

An employee's spouse may drive a company car in 62 per cent of cases, but this drops to 38 per cent for an employee's child and for 24.1 per cent of these, the child must be over 21 years old.

One concern which affects car and truck fleet management alike is the fear of petrol price hikes if the November Opec accord, limiting production volume, holds.

Another worry for truck fleets is the possibility of the Bush administration trying to push through a fuel-tax increase either this year or next as a means of reducing the deficit.

In the trucking sector, these worries are overshadowed by the growing shortage of qualified drivers. In the US, a country of 3.5m square miles, truck transportation of goods is crucial.

It is estimated that about 80 per cent of the supply of basic items like food, furniture, appliances, plastic goods, lumber and wood products, sheet metal and cable is hauled by the nation's 4.1m trucks.

Since deregulation in the 1970s, the inter-state trucking industry has become highly competitive and drivers have often borne the brunt of rationalisation. Long hours, low wages and non-union labour are now the norm in an industry which once commanded good salaries, good conditions and was largely dominated by the brotherhood of the Teamsters' Union.

Average wages rose by 20 per cent between 1979 and 1986, compared with 50 per cent for all jobs, according to the Bureau of Labor Statistics.

The result has been a high turnover rate and the attrition of qualified drivers. About 70,000 drivers quit between 1984 and 1986, an industry survey revealed. Industry officials say that there are roughly 2.5m truck drivers, including 1.8m who drive large vehicles.

Furthermore, the recent introduction of mandatory drug and alcohol screening for truck drivers may further deplete the ranks of truck drivers.

A study by Regular Common Carrier Conference, an industry trade group, found that 36 per cent of the drivers admitted to driving under the influence of drugs and 8 per cent had driven while drunk.

Starting December this year, motor carriers will have to meet federal standards for heavy-duty truck inspections under a final rule issued by the Federal Highway Administration last year.

The rule requires annual inspections that include checking the brake system, coupling device, exhaust system and fuel system.

Ten leading US vehicle fleets

	1989*	No of cars	Trucks/vans	Total vehicles
Federal Express	1 (1)	-	21,180	21,180
Quality Bakers	2 (-)	2,900	17,000	19,900
Xerox Corp	3 (2)	9,960	4,461	14,421
Sears, Roebuck	4 (3)	300	13,800	14,100
Frito-Lay Corp	5 (4)	830	11,500	12,330
Digital Equipment	6 (6)	10,251	1,061	11,312
State Farm Insurance	7 (10)	9,023	275	9,298
Continental Banking	8 (8)	406	8,762	9,168
Church of Jesus Christ of Latter Day Saints	9 (9)	8,130	650	8,780
Eastman Kodak	10 (22)	7,500	1,100	8,600

*Figures in brackets: 1988 position

Source: Automotive Fleet

Total mileage driven on an average company vehicle per month

	US*	Canada#
Drugs/cosmetics	2,129	2,907
Food/beverages	2,076	2,779
Insurance	1,834	2,250
Chemicals/petrol	2,008	2,911
Man/industrial	2,219	2,090
Man/consumer	2,116	2,610
Public utility	1,879	0
Government	1,830	2,570
Banking/finance	1,380	300
Communications	1,843	2,439
Service groups	2,203	0
Electronics	2,300	3,500
Other	2,027	3,167
Average total	1,975	2,661

*Miles #Kilometres

Source: National Association of Fleet Administrators

Average personal mileage driven by employees on company vehicle per month

	US*	Canada#
Drugs/cosmetics	299	460
Food/beverages	407	454
Insurance	318	250
Chemicals/petro	1,229	594
Man/industrial	388	676
Man/consumer	271	521
Public utility	516	0
Government	227	542
Banking/finance	319	50
Communications	370	729
Service groups	417	0
Electronics	676	350
Other	452	1,042
Average total	408	548

*Miles #Kilometres

Source: National Association of Fleet Administrators

Timely information

MORE than 600 computer terminals and high speed laser printers are used to accumulate and send out up-to-the-minute product-related information at GM Truck and Bus group's Pontiac East assembly plant, above.

This information is routed via the Manufacturing Automation Protocol (MAP) network to numerous computer systems for such needs as paying bills, tracking inventories and checking vehicle warranties.

The production worker, above, is verifying fully-assembled vehicles at the end of the assembly process.

Brian Robins on Japan's modest fleet market

Corporate users thin on the ground

LARGE CORPORATE fleet purchases may be a key feature of the European car market, but in Japan – apart from a few isolated exceptions – the fleet market is much more modest.

A highly congested road and highway system, along with a generally lower level of car ownership in Japan has combined to reduce the role of the corporate fleet in the vehicle industry as a whole.

In the commercial vehicle sector, however, the corporate demand is the driving force on overall purchases.

Demands of the just-in-time delivery system (kanban) inevitably result in heavy use of roads and highways, so that commercial fleet purchases dominate this market sector.

The fleet market in Japan is usually defined as large 'lot' corporate purchases of cars with an engine displacement of more than two litres. This market sector has been the mainstay of fleet purchases, either for taxi companies or other, more general corporate purchases.

Japanese managers are rarely given company cars

Over the past three years or so, total sales of this industry sector of larger cars have surged, largely as a result of the increasing number of individuals seeking more powerful cars which are, more often than not, increasingly imported vehicles.

This market segment, which typically enjoyed sales of less than 100,000 units annually, was in the past dominated by Toyota and Nissan. However, in 1988, the size of this market segment exceeded 150,000 units for the first time, reflecting the shift of private demand in favour of more powerful cars.

For Nissan Motor Corp, for example, Japan's second largest car maker, fleet sales account on average for 21 per cent of total domestic car sales. This figure is the average for the past three years.

Nissan defines fleet sales as any purchase by a corporate entity.

Multiple car sales to a single corporate buyer is much smaller than this, however, a company spokesman said, accounting perhaps for 10 per cent of total sales annually within Japan.

For commercial vehicles, fleet purchases account for 58 per cent of Nissan's total sales, on average.

In the commercial vehicle sector, sales of both trucks and vans have recovered after a lengthy slump, with growth in calender 1988 of close to 20 per cent.

The bulk of business travel is done by rail and air in Japan

The growth here is a direct reflection of the corporate sector upgrading its truck and van fleet, as part of the strong domestic investment boom.

The high growth rate in this market sector is expected to ease during 1989.

"A substantial amount of business travel is done by rail and air in Japan," says the president of Austin Rover Japan, Mr P Woods, "whereas in Europe, it is mainly by car – that is because of the shape and density of Japan. Also, the condition of the roads.

"Even my people in Japan do most of their travel by train, with car travel usually restricted to local areas," he adds.

"Company managers in Japan do not have cars the same way we do in Europe."

Fleet purchases soared first in the United Kingdom as a result of heavy income tax levels which forced employers to seek other ways of reimbursing employees.

"In Japan, although tax rates are high, companies have not found other ways of getting around the system of giving perks in lieu of higher pay," he says.

The corporate fleet market in Japan, is dominated by black limousines which are used primarily to chauffeur the company president and board members. Other large fleet car operators include newspaper and taxi companies.

"The fleet car market is in the neighbourhood of 40 to 50 per cent of the total market for cars of more than 2 litres," says Mr Tony Moyer, vehicle industry analyst with SBCI Securities in Tokyo. "In percentage terms, it was certainly higher than this in the past, but that has changed with shifting consumer preferences.

"Seven years ago, Toyota and Nissan split this market, with only marginal presence by Mitsubishi Motor Corp with its Debonair model.

"The truck side is different altogether. This has emerged as a glorious growth market, due to blossoming demand for large trucks. Here, there was a protracted slump in the wake of the oil shock. But, 18 months ago, demand began to move.

"In 1988, total truck demand rose by more than 13 per cent to close to 1.5m units, with bigger unit growth for larger capacity trucks.

"My feeling is that growth rates will flatten to single digit gains later in the year," says Mr Moyer.

"A lot of the replacement demand has worked its way through the system. Demand has been strong with an extremely active construction sector, with no slowdown expected.

"Also, in the transport sector generally, there has been a long term shift away from other transport modes in favour of trucks, with the continuing refinement of the just-in-time, or kanban delivery system in manufacturing and, increasingly in the distribution sector."

Glyn Genin

Honda is the biggest of the Japanese car producers in the US. Above: New Honda cars at a despatch centre in Illinois. The company has begun to export its US-assembled cars to Japan.

■ EUROPEAN PARTNERS
Pictured, far left: Interleasing Europa strengthened its international partnership when partners met at Windsor recently with Interleasing UK's joint managing director, Neil Pykett, seen fourth left, to discuss cross-border co-operation.

■ RECORD DEAL
Also pictured: two key figures in a $3.2m purchase lease-back deal between British-based APV, a leading machinery manufacturer for the food processing industry, and Fleet Management Services. Chris Beenham, centre, is finance director of APV which has a fleet of 1,200 vehicles. Pictured, to the right, is Geoffrey Cobley, managing director of Fleet Management Services.

FLEET FINANCE

Boost for the leasing sector

AN ALREADY steadily growing interest among British companies in the idea of leasing vehicle fleets – as opposed to buying them – is expected to receive a further boost this year from current high interest rates.

Explaining that point, Mr Neil Pykett, joint managing director of Cowie Group contract hire company, Interleasing (UK), says that with high interest rates making money more expensive, many companies are looking for alternative means of raising funds to finance general development of their business. One of the easiest methods of doing that, he claims, involves realising the money tied up in owned vehicle fleets.

"When one considers that the average cost of putting a new car on the road is £10,000 or more, it is easy to see that even a modest fleet can provide a significant cash injection," says Mr Pykett.

"That can be achieved by taking advantage of a 'buy and lease-back' scheme, which allows the capital value of a fleet to be made available virtually overnight.

"Effectively, we buy the vehicle fleet for cash while the customer company retains its use under a contract hire agreement."

Companies seeking an alternative to vehicle purchase can choose from several types of leasing option: a finance lease or an operating lease and contract hire scheme

The level of capital which can be released by opting out of fleet ownership was further highlighted last month when Fleet Management Services announced a £3.2m purchase lease-back deal with engineering group, APV.

The deal, which involved 1,200 vehicles and is believed to be the largest of its kind in the UK, has since been followed by the awarding of a fleet management contract to FMS.

Explaining the decision to go for a purchase lease-back deal, Mr Chris Beenham, APV finance director, said the group had recognised that following a major merger with another large company in the UK, it was necessary to establish a uniform system of control over a vehicle fleet and that could be achieved more cost-effectively by a third party.

"An added advantage was to remove the vehicle fleet from the balance sheet and thereby reduce our debt equity ratio," he explains.

Companies seeking an alternative to purchase when building up or expanding their vehicle fleets can in fact choose from two main types of leasing option – a finance lease or an operating lease/contract hire.

Financial leasing involves the lessee effectively paying a rental for vehicles which he never actually owns. The rental pays the lessor's capital cost plus interest and profit over the period of the lease.

As with loans and hire purchase, costs such as maintenance and insurance are retained by the lessee.

Other factors to be taken into consideration when considering finance leases are outlined in a report on the financing of commercial vehicle acquisition, published last year by commercial vehicle specialist, BRS.

The report points out that although the lessor might make an estimate of residual value in working out the timing of rentals, the risk remains with the lessee. Once the assets are sold, the lessor requires a final rental equal to the discounted value of any unpaid rentals.

When the sale proceeds are to hand, the lessor will give a rental rebate to the lessee, usually 95-99 per cent. Thus, the lessee must fund the full cost of the asset and bear the risk of a lower residual value.

Operating leases and contract hire agreements – the latter is basically a form of operating lease which includes extra features such as maintenance, fuel and tyre costs, fleet management and even the provision of drivers – on the other hand, change the balance of risk.

Such agreements are based on the lessor or contract hire company acquiring the vehicles, predicting the residual value of the vehicle at the end of the hire period and sharing a rental which reflects the predicted depreciation over the period, the interest, the cost and the profit.

Once the rental is paid, the lessee, under an operating lease, has no responsibility for a fall in the value of the leased asset, any licences or other standing costs or (subject to any special provisions) reliability in services.

"With contract hire, costs are fixed in advance so budgetting is straightforward. The risks of ownership are borne by the leasing company and the range of schemes available enables users to select a package of services closely matched to their individual requirements," adds Mr Pykett of Interleasing.

Operating lease/contract hire agreements were given a further boost by the introduction in 1987 of the SSAP21 accounting standard which allows fleets operated under such arrangements to be dealt with off the balance sheet.

As Mr Pykett points out, since many firms find it desirable not to show their vehicles as assets, that is another strong incentive to switch to contract hire.

However, while the advent of SSAP21 has generally encouraged the development of contract hire business, it has also some complications as well.

Mr Andy Haslewood, finance director of Fleet Management Services, says that the previous system of accounting has been much more straightforward and easy for department managers, for example, to understand.

The concept that an item would cost, say £20 per month per £1,000 of expenditure over five years, was easy to understand, he says, and mangers could accept that the vehicle rental cost would equate to the monthly lease repayment.

"Replacing this with leased asset depreciation and interest cost is, I believe, an unnecessary complication.

"However, I acknowledge that where inter-company comparisons are required, or in particular assessing a company's return on its assets, then SSAP21 does have its advantages," he adds.

Another financial consideration affecting the vehicle fleet leasing market involves the Chancellor's current policy of subjecting cars costing more than £8,000 to a sliding scale of reductions in allowance against Corporation Tax if they are leased, thereby increasing the cost of leasing more expensive vehicles.

In addition, the lessee is restricted in his ability to charge rentals against profits if the car cost more than £8,000

That situation has led to the recent development by the leasing industry of a form of agreement under which the customer benefits from preferential buying terms, guaranteed residual value and a full service contract, but retains full tax allowances because the vehicle is owned.

One of the pioneers of that scheme – known as contract purchase – is Swan National Leasing which has launched its own product in that sector, under the name Tax Saver.

The package is designed to appeal to companies which want the benefits of contract hire but do not want to accept the tax disadvantages of executive vehicle contract hire or non-reclaimable VAT charges.

Phillip Hastings

EXAMPLES OF SENIOR DIRECTORS' CARS IN THE UK

	Retail price (£)	Lease factor	Avg mpg	Fuel Cost	Cost/Total mile	Total cost factor	Tax@ 25 %	Perf'ance factor
Mercedes 300 E	24,250	100	26.8	1,279	54.80	100	950	100
Granada 2.9i Scp Ex 4x4	23,749	102	26.0	1,309	55.71	102	950	82
Jaguar XJ6 3.6 Auto	22,999	112	26.0	1,308	59.73	109	950	95
BMW 730i Auto	25,249	116	25.8	1,317	62.01	113	950	77
Jaguar Sovereign 2.9 Auto	27,499	135	25.8	1,318	70.74	129	950	87

Source: Interleasing (UK), Winter, 1988, Report

HIGHER SPECIFICATION FLEET CARS IN THE UK

	Retail price	Lease factor	Avg mpg	Fuel Cost	Cost/Total mile	Total cost factor	Tax@ 25 %	Perf'ance factor
Escort 1.6 Ghia	9,415	100	41.1	826	22.82	100	500	88
Cavalier 1.6 GL 5dr 5spd	9,860	105	41.8	814	23.53	104	500	77
Peugeot 405 1.6 GR	9,405	107	38.8	877	24.07	106	500	74
Sierra Sapphire 1.6 GL	9,840	110	38.6	880	24.66	109	500	80
Peugeot 309 1.6 SR 5spd	9,780	113	41.0	829	24.82	110	500	67
Ford Sierra 1.6 GL	9,840	111	38.6	880	24.74	109	500	80
Sierra Sapphire 1.8 GL	9,840	109	35.3	965	24.87	110	500	78
Sierra 1.8 GL	9,840	110	35.3	965	25.09	111	500	78
Ford Orion 1600 Ghia I	10,278	111	36.8	925	25.08	111	500	95
Vauxhall Belmont 1.8GLSi	9,644	114	39.0	872	25.15	111	500	100
Rover 216 Vitesse	10,553	113	39.2	868	25.57	112	500	94
Austin Montego 1.6 HL	9,842	116	39.0	872	25.61	113	500	76
Renault 21 GTS	9,370	123	39.4	863	26.56	117	500	84
VW Passat CL 5dr 4+E	10,230	124	36.5	933	27.30	121	500	78
Carlton 1.8 L	11,373	132	37.0	920	28.81	127	500	63
Audi 80 1.6 4dr	10,624	135	36.2	941	29.27	129	500	81
Volvo 380 GLT 5dr	11,369	134	33.8	1,007	29.63	131	500	85

Source: Interleasing (UK), Winter, 1988, Report.

■ THE FIGURES, right, are from the Fleet Car Comparisons report, issued several times a year by Interleasing (UK), a Cowie Group company – "as expected, the new Cavalier's first appearance in this higher specification group sees it placed high, just below the top car, the Ford Escort 1.6 Ghia which scores on price, but not on fuel consumption and interior accommodation," says the winter, 1988 report.

It adds that Sierras and the Sierra Sapphire 1.8 GL are proving to be increasingly attractive to buyers of fleet cars in this category – these models have improved their ratings relative to the previous issue of the guide, last autumn.

In a January, 1989, review on this sector, Interleasing comments that "a low retail price and respectable fuel consumption combine to make the Rover 216S the least expensive to run among higher specification fleet cars – however, drivers "who need to combine performance with greater interior space may well be prepared to pay extra and opt for one of the Peugeot 405s," it suggests. Among mainstream fleet cars, excellent fuel consumption makes the Orion 1.4 GL the most economical in that sector, "while the performance factor shows that it has more driver-appeal than several of the larger-engined cars in the group," says the report.

TABLE OF TAX BENEFITS 1988/89

	Up to 1400cc £	1400cc-2000cc £	Over 2000cc £	Retail price £19,250-£29,000 £	Retail price over £29,000 £
Benefit Car	1,050	1,400	2,200	2,900	4,600
Benefit Petrol	480	600	900	900	900
Total Benefit	1,530	2,000	3,100	3,800	5,500
Tax at 25%	383	500	775	950	1,375

Source: Interleasing

THE UK Fleet Car *Comparisons* report includes figures, above, for personal taxation, giving an indication of the actual costs incurred.

These costs for drivers are important when considering changes in models because a slight change in engine size (but not necessarily in performance) can mean considerable savings or increases in personal costs, says the winter, 1988, report from Interleasing (UK).

Changes from petrol to diesel cars normally involve an increase in cubic capacity and a consequent rise in personal taxation.

"Vehicles with 1.4 engines have therefore become more attractive, giving the successful Rover 213 and the new Fords extra bite in the marketplace," adds the report.

"Ford's injected 2.0 litre Sierras and Granadas look set for even greater success as the 1.8-engined cars lose an advantage, possibly reducing the tendency to down-size."

The report's calculations assume that a company pays private mileage and that the employee covers between *2,500 and 18,000 miles a year* on company business.

"If an employee exceeds the 18,000-mile limit, then the scale charge is halved. Despite further increases in the scale of benefits for 1988, the company car remains an attractive form of remuneration," concludes the report.

John Griffiths looks at the way companies operate car fleets

Policies firmly established

WHEN THE two principal annual reviews of UK company car policies – Monk's Guide to Company Car Policy and the Company Secretary's Review, are published soon, they are expected to show that last year saw a continuation of some trends which have become well-established in recent years:

■ A slight but steady fall in the proportion of surveyed companies buying their cars and managing them wholly 'in-house.'

■ Little change in the use of finance leasing.

■ And a further steady rise in the share of the business car market, accounted for by the contract hire specialists, over and above the estimates of 20-25 per cent of 1987.

As the price of the average company car pushes through the £8,000 level, the contract hire industry is coming up with a number of ingenious schemes and other 'wrinkles.'

These schemes are designed

No less than 80 per cent of middle managers in Britain now have company cars

to get round some of the obstacles deliberately left in its path by a Government keen to see what it views as 'perks' like company cars (arguably unfair when it comes to high-mileage users of necessity, such as sales people and repairmen) wither on the inflationary vine.

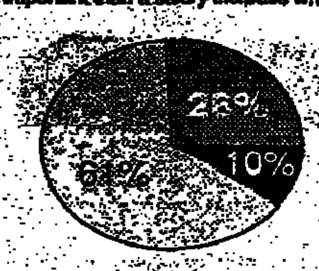
Their objective, obviously, is to win over what is still a substantial majority of companies which still prefer to buy their own cars, even if some have relented on entirely in-house maintenance and operation in favour of another specialist sector – external fleet management.

But the specialists face an increasingly uphill task.

Smaller companies, with few or no resources to spare for administration unconnected with their core businesses, have espoused the concept of contract hire quite readily. Monk's Guide to Company Car Policy suggests that perhaps four-in-ten such companies are already users.

Company cars: Users' views

How far do you agree that "Gaining a company car would be even more important than a salary increase when changing jobs"?



	Agree	Disagree
Salesmen	29%	59%
Middle managers	22%	67%
Directors	29%	57%
Scotland	30%	58%

Source: The (Hertz Leasing) Executive's Car Survey, 1988

But many larger companies, with well-established traditions of running their own fleets, appear firmly sceptical of the hard-sell contract hire/leasing industry's eternal blandishments that only they are truly capable of running fleets cost- and time-effectively.

People like Mr Norman Donkin, managing director of Leaseplan UK and a joint author with Mr Tony Vernon-Harcour of Monk's Guide, and Hertz Vehicle Leasing MD Mr Colin McLean, accept that conversion may be a long-term process, and one of Hertz's own research reports made no greater claim than that contract hire might account for 27 per cent of total company fleets in 1990.

The reality is that whether a company opts for external or internal fleet ownership, management will be primarily a function of matters such as its tax position and cash flow requirements, at least in the absence of any substantive change in Government legislation relative to company cars.

The conclusion of Mr James Morrell, former director of the Henley Centre for Forecasting and who now runs his own consultancy group, any change would have to extend well beyond next month's expected swingeing Budget increase in the assessed tax benefit of the company car to their users before fundamentally affecting the business car market.

In a report prepared for Charterhouse, the merchant and investment banking branch of the Royal Bank of Scotland, he asserts that even if taxation did increase to the point where a business car offered no financial advantage over private ownership, there would still be only a "minor" shift away from current vehicle provision practices.

This is because current practice is so entrenched as part of employment remuneration and policy.

"A business-owned car is a means of attracting and retaining staff and this feature is unlikely to change unless there is a major weakening of the labour market, as happened between 1980 and 1983," says the report.

The chances of this happening are "remote," according to Mr Morrell's report, which foresees no major change in the labour market in the report's forecast period ending in 1993.

Morrell's view is firmly borne out in The Executive's Car Survey, carried out for Hertz Vehicle Leasing, in which the attitudes of nearly 600 employees ranging from salesmen to directors in nine business sectors were examined.

Two-thirds insisted that they would wish to retain a company car even if its financial advantage disappeared. High-mileage drivers like salesmen, in particular, felt that the provision and running of what effectively was their 'mobile office' was very much a company's responsibility.

"It became clear that they attached a higher priority to the operational, rather than financial, benefits of a company car," the survey concludes.

The majority also said they would ask the company to subsidise the extra tax burden. Switching to a smaller car emerged as an unpopular alternative.

Of the one-third who said they would give up the company car, even high-mileage salesmen said they would want a compensating pay rise in preference to a substantial mileage allowance for use of their own cars.

A worrying factor for the car manufacturers emerges in the response to questions about what vehicles the employees might then buy for themselves – 53 per cent, including some directors, said they would buy not new, but secondhand.

"The effect on the motor manufacturers, the second hand market and the efficiency of Britain's business would be enormous," the survey asserts.

"Some 25 per cent of UK new car sales could disappear if company purchases stopped overnight."

The survey also provided little encouragement for the Government in its efforts to replace all 'perks' with a high pay, low taxation regime. Some 61 per cent of those surveyed said they would rather keep their fringe benefits than see further cuts in direct taxation.

And just to underline the strong emotional element which seems to attach to the company car, more than one-in-four of those surveyed said they rated a company car more highly than a salary rise when changing jobs.

Eleven per cent even agreed with a statement that a better company car was a strong enough reason for itself in changing jobs.

The pervasiveness of the

Around 90 per cent of senior managers and 93 per cent of chief executives have company cars

company car, both as perk and genuine business tool, is emphasised in further research carried out by the Avis vehicle leasing group, headed in the UK by Mr Ken Hanna.

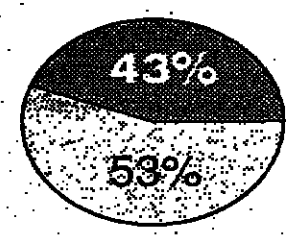
No less than 80 per cent of middle managers now have company cars, as well as 90 per cent of senior managers and 93 per cent of chief executives, according to Avis.

Its study of 483 companies with an average fleet size of 120 units showed that 35 per cent expected to incease their fleet size this year, and only 2 per cent to show a decrease.

Once again, just how strong and widespread the feelings about pecking order and allocations can be is underlined by findings that car policy decisions were made at managing director level by 61 per cent of surveyed companies, with finance directors taking the decisions in 24 per cent of companies and the transport director only six per cent.

Car buyers' attitudes

If you didn't have a company car, what would you be most likely to buy?



	New car	Secondhand car
Salesmen	33%	62%
Middle managers	40%	57%
Directors	54%	42%
Scotland	50%	50%

Source: The (Hertz Leasing) Executive's Car Survey, 1988

Around 120 auction firms in the UK sold over 1.5 vehicles last year. Above: dealers and public visitors attend an auction at Blackbushe, Hampshire.

VEHICLE AUCTIONS

Business deserves a better image

THE VEHICLE auction business deserves to shake off the image of cars of doubtful quality being brought from bomb sites and fields by shady second-hand car dealers.

Several of the leading auction groups are publicly-quoted companies operating from sites capable of displaying 1,000 cars under cover. Indeed, the motor industry would hate to contemplate life without auctions. Even police and government vehicles are sold through motor auctions nowadays.

Last year auctions sold over 1.5m vehicles with many contract hire and leasing companies disposing of 10,000 cars annually through auctions.

The 120 motor auction firms around the country vary from the very small to the dominant British Car Auctions which has an estimated 60 per cent share of the market.

BCA's growth over the past five years has never dropped below 10 per cent per annum, while it has also expanded overseas and now has 22 auctions in America compared with 15 sites in Britain.

By the nature of the business, auctions do well when demand for new cars settles back. Mr Tony Madden, BCA's director of customer affairs, explains: "Invariably in our market we do better if new car registrations are lower. People feel that if they cannot afford a new car then they will buy a low mileage second-hand car."

Nevertheless, despite efforts to lure private buyers with the carrot of wholesale prices, the man in the street is cautious about buying a vehicle from auction with never more than a 24-hour warranty – and often none.

The top auction companies estimate only 10 per cent of the cars are sold to private individuals. An auction remains largely a wholesale clearing house where motor traders come to buy second-hand cars from company fleets, rental operators, leasing firms and the motor manufacturers themselves.

Mr Madden claims BCA will sell 80 per cent of the cars offered in any sale "because we have a much wider selection of stock than our competitors and we have a much higher attendance from the motor trade." Central Motor Auctions, recently brought to the USM, is second to BCA in the market selling 100,000 vehicles in 1988, yet claims a more typical success rate of between 50 and 60 per cent.

Much of the growth in the last few years has come from the contract hire and leasing companies. Judging the residual value of cars and then achieving the very highest price for the second-hand vehicle is critical if these companies are to make a profit in a highly competitive industry. It is also important to sell the vehicles quickly. Selling through auctions suits these needs.

"I would hate to have to retail 3,000 or 4,000 cars a year," comments Mr Peter Knox, managing director of Highway Vehicle Leasing.

The firms using auctions regularly are uniformly convinced that the chief merit is that on the day the vehicle goes through the sale it will have achieved the best possible price. The fact that some motor traders will buy cars directly from company fleets and immediately put them into an auction to achieve a profit suggests that is indeed correct.

However, it requires constant monitoring of residual prices if companies are to use auctions to their best advantage. The fleet manager selling

Continued on next page

DEPRECIATION

The single biggest cost in running a car

SINCE THE cost of leasing two similarly priced cars can differ by almost 25 per cent, the case for choosing company cars according to their likely depreciation, rather than their initial capital cost, is easily made.

Depreciation is the single biggest cost in running a car; in many cases it accounts for half the total operating costs. For managers of large company car fleets the days of buying several hundred Fords in the certain knowledge that the manufacturer would never allow anything dire to happen to the residual value of the cars are steadily disappearing.

The reason is that as the company car driver is taxed more heavily for the use of the vehicle, so he expects to have a reasonable choice of models. While buying cars outright for cash is still the single most popular way of financing company cars, contract hire and leasing are growing. This has given companies an easy method of providing greater choice and countering the higher depreciation costs that could be incurred if all the Vauxhall Cavaliers were replaced overnight with Renaults and Alfa Romeos.

The vast majority of employees offered lease cars are given a monthly lease rental to "spend" on a car of their choice rather than being restricted to a certain price range. Hertz Leasing estimates 80 per cent of its cars are selected on the basis of rental cost.

When an employee can drive a Ford Escort XR3i for only a few pounds a month more than an Austin Montego 1.6L which costs £1,100 less, there are obvious attractions. Image-conscious salesman will jump at the chance to escape from the 1.6L saloon that inevitably goes with the job.

The relative depreciation of different models is constantly subject to subtle change due to such factors as their reliability and popularity

The relative depreciation of different models is constantly subject to subtle change as their reliability and popularity establish how much motor traders and private buyers are prepared to pay for them. Mr Peter Knox, managing director of Highway Vehicle Leasing, explains that the depreciation of the new Vauxhall Cavalier can be based with some confidence on that of its durable predecessor.

The new rival Peugeot 405 is harder to judge and so a more cautious view is taken. The result is that according to the industry yardstick of "percentage of original value retained after two years", the Cavalier will achieve at least 52 per cent compared with about 48 per cent for the French car. As experience of the 405 builds up over a few years, so its residual value may alter.

Experience is everything. For instance Mr Knox reveals that over the first 40,000 miles a Cavalier has a better second-hand value than a Sierra but above this mileage the Ford is "well ahead." Among mainstream models the general rule is that small cars hold their value best. The popularity of the Ford Fiesta on the used car market as a second car is such that after two years its value will be 62 per cent of the original cost.

However, there are pitfalls. The value of a 1985 Lada Riva that has covered 56,000 miles is almost half that of a similar car that has been driven for 41,000 miles.

Some of the biggest variations in depreciation affect executive cars as a comparison of the value of 1986-registered models shows. According to Glass's Guide, the trade's prices bible, the best choice would probably have been the BMW 525e in the £12,000 to £15,000 range as it retained 68 per cent of its value; its barely different sister model, the 525, achieved only 57 per cent.

The Saab 9001 can match the BMW but Mr Geoff Becque, director of Leasecontracts, says the residual value of the Swedish cars varies considerably according towhether the model has three, four or five doors. Also, the "wrong colour can knock £1,000 off the value while at one time Turbo models were bad news." The second-hand car buyer can be very fickle.

After two years the Ford Granada Ghia will be worth 55 per cent of its list price. The rival Rover 820 Si is slightly better at 58 per cent, though a Renault 25 will have slumped to 48 per cent with the individualistic Citroen CX down at 42 per cent.

Yet the smaller Citroens are a good example of how a manufacturer can influence residual values by dramatically reducing running costs and improving reliability, then raising the

A fleet of 20 company cars can cost an estimated £200,000 a year to operate

equipment specification. This not only attracts the first-time buyer but also the important second owner. Five years ago a mid-range Citroen would have halved in value within 24 months. By 1986 the BX 16TRS model was achieving 57 per cent and by December 1988 it had risen further to 63 per cent.

With a fleet of 20 company cars now costing an estimated £200,000 a year to operate, a fleet manager will be aware that the carefully calculated depreciation costs can be influenced not only by the vehicle's condition but also colour. Mr Becque comments: "Reps' cars in bright colours will always sell first at auction."

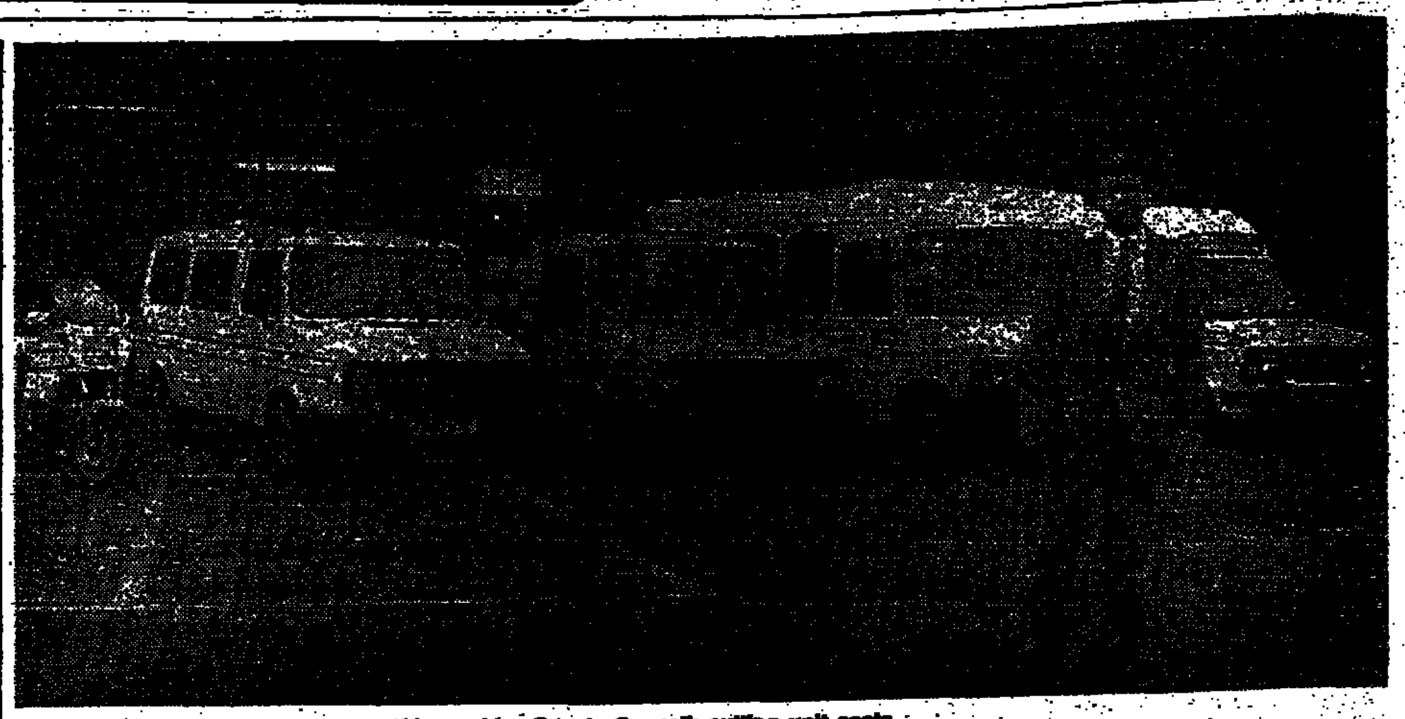
By contrast, selling a £20,000 Mercedes without the normal extras such as sunroof, metallic paint and a good stereo could knock up to £1,500 off the value.

But the marque's second-hand values are impressive. A Mercedes 500 SEL costing £33,937 two years ago would now be worth around £25,725 (76 per cent) while the 300SL sports car is worth 91 per cent of its original value after two years' motoring. From an accountant's point of view the Ferrari 308 may appear too good to be true. Today a 1985 model is worth £1,000 more than it cost new.

For the moment among mainstream brands it is the VW Golf GTi which has one of the lowest depreciation rates. A run-of-the mill rep's car will take just two years to depreciate as much as the GTi does in four years.

Daniel Ward

Used cars for sale at Tooting, South London.



Brian West, transport manager at Lincolnshire County Council: cutting unit costs.

Case study: efficient fleet management by a local authority

Expertise is centralised

LINCOLNSHIRE County Council has been operating a system of contract hire with maintenance since April 1982. At the time, this was a revolutionary step in fleet management for a local authority, even for a Conservative council.

The council had decided in May 1981 to create a Transport Management Organisation (TMO). On the recommendation of the director of highways and planning and the director of administration, a steering group – formed to deal with the merger of the highways and planning departments – decided that the repair and maintenance function should also be transferred into the TMO. This took place in October 1981.

In April 1984, the council itself started competitive bidding for the contract hire with maintenance scheme which it had instituted through outside commercial car fleet companies in 1982 for essential and casual users at council offices.

The next major milestone was the integration of the county's police fleet in April 1986. Today, the centralised TMO is responsible for all vehicle purchases.

Currently, vehicles are taken on a finance lease and hired out to all the service departments on a rental charge formulated to recover all costs other than fuel, driver and insurance.

This comprises all services including ambulance, fire brigade, police, highways, education and social services. TMO reports annually on its performance to the director of property services at Lincolnshire County Council.

This was brought about in 1983 on the basis that property services tends to look after services that are central to the authority – by providing accommodation to it.

Before 1982, the council's vehicle fleet workshops were under the control of the county surveyor. The transport manager looked after all aspects purchasing and disposal, licencing, and insurance.

There was no real interface between the maintenance side and purchasing and disposals. Each client would pay its own repair bills.

"What you found, and still find in many authorities, is that you cannot get a true charge for the vehicles," explains Mr Brian West, transport manager at Lincolnshire County Council.

When a vehicle was purchased through the county's capital programme, the recharge from the treasurers at the centre was via a debt charge, which appeared below the line and was therefore not within the target expenditure.

The result was that when the individual departments did their sums on transport, they did not include the purchase cost of the vehicles they were using. Furthermore, property costs were also not included in the transport overheads.

From April 1982, every cost that TMO incurred has been brought in to above-the-line budgetting and has had to be recovered. A computerised system called Fleetmaster was introduced to run on the council's ICL mainframe computer.

This was subsequently replaced in April 1986 by a vehicle fleet management package from McDonnell Douglas Information Systems when the police fleet was integrated by the council. This took the workload off the ICL mainframe computer.

Terminals are now sited at workshops as well as headquarters, providing speedier management information. Every vehicle is identified under different repair and maintenance headings. Information is still transferred through to the mainframe for accounting purposes.

Since 1984, TMO started competing as a third-car fleet contractor. It now has about 350 cars on the road for office users, and has recently won two of its local district councils' car contract hire schemes.

"We are not subsidising any area in terms of financing for the organisation. We are operating in a commercial manner," adds Mr West.

"The profit margins on certain vehicles may be greater than on others, depending on the market situation. We play the market as if we were a commercial company.

The Lincolnshire authority now has about 350 cars on the road and has recently taken on two district councils' car contracts. Other authorities are also asking for quotations

"What we have done in Lincolnshire is to put the whole transport expertise within one organisation. I do not get involved with operational matters – it is up to the client to decide how best to use vehicles."

The Local Government Goods and Services Act prevents councils bidding for private sector work, but this leaves ample scope for quoting on contract hire schemes for other local authorities, even outside Lincolnshire.

Two councils in Nottinghamshire have asked Lincolnshire to submit quotations. A couple of other vehicles have been hired out to local drainage boards on the same basis.

"What we are actually looking to do is to promote the contract hire with maintenance service within the public sector within this region.

"Obviously, it is all a question of unit costs. Given the economies of scale that we operate under, the more we can put through our workshops and our computer system without having to increase our resources, the lower our unit costs will be."

Any profit from TMO goes back to the council's general reserve fund. If TMO then wants to make any further investments, it puts a bid in along with the other service departments. The investment amount is then built into its budget to be recovered through revenue charges which are fixed in competitive market conditions.

In June 1988, despite open competition from the private sector TMO retained a contract with the Area Health Authority for the maintenance of ambulances in Lincolnshire for a further three years.

Invitations to tender for such contracts are advertised in the local press, and TMO is an active bidder.

In August 1991, councils are due to go out to open competition for repair and maintenance, in accordance with legislation. Lincolnshire tends to run ahead of the pack, having privatised its cleaning services two years ago for example.

"We survive while we are successful. We have always worked on that basis. Obviously, as we go through that process, we try to develop our services. We are not looking to create a massive empire.

"We are here primarily to provide transport services to Lincolnshire County Council. Providing my clients get their vehicles at the most competitive rates, and providing they are not paying me over the odds to enable me to make a profit, then there is no conflict," says Mr West.

"You do need the support of the authority's chief officers to get an organisation like this off the ground initially, and the conditions have to be right politically to enable it to work."

Boris Sedacca

Vans and light commercial vehicles being auctioned at Central Motor Auctions' Shepshed branch in the Midlands.

The auctions business

continued from previous page

hundreds of ordinary sales reps' cars each year will try more than one auction company and sales all round the country in order continually to pinpoint where the best prices are being achieved.

Any car out of the ordinary probably will not even get to the auction. The contract hire company will happily sell the car to its original driver or if it owns a chain of motor dealers, as many do, sell it direct to a retail outlet. For instance, Unigate is well placed, owning auctions, contract hire firms and franchised dealerships.

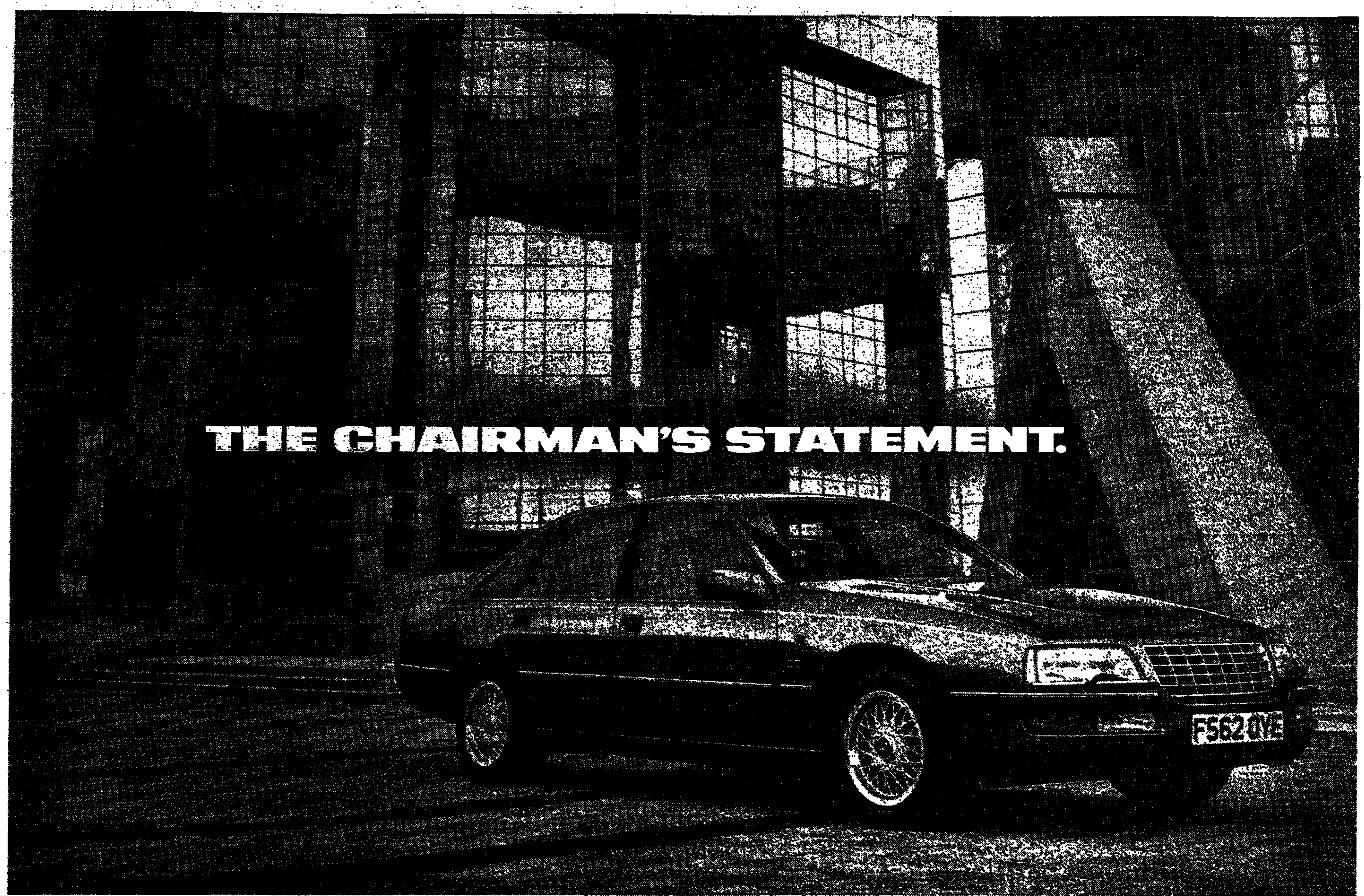
Auctions have learnt to woo their major fleet customers as a good supply of decent vehicles will ensure traders will attend sales in the right numbers. Auction fees are discounted, vehicles for the sale are collected from the customer while firms like BCA will also repair any bodywork damage and valet the car in order to achieve the best residual price at auction.

To save traders waiting around all day to bid for a particular car, sales have become very specialised. The larger auction firms will have separate sales for recent, low mileage cars "top" vans, military vehicles, British cars and foreign models. For the vehicle manufacturers auctions hold closed sales where only franchised dealers are allowed to bid for ex-management and rental vehicles.

The good condition of these vehicles means they are sought after and this is reflected in the prices paid. For the manufacturer it is one of the methods of improving the residual values quoted in motor trade price guides such as Glass's. Ford led the way in 1982 with closed sales at BCA, but many manufacturers still curry favour with their dealers by selling them low mileage cars direct rather than making dealers pay a more competitive price at an auction.

Growing business for auctions appears certain as they help traders finance the stock of cars they have bought at auction. And companies like Thorn EMI are moving to a policy of changing their fleets every 21 months in order to minimise depreciation and running costs. Auctions appear to provide the only viable way for a company like Thorn to dispose of 11,000 Vauxhalls every year.

Daniel Ward



The gentleman above has just made an important announcement. One which will inevitably attract close scrutiny from friend and foe alike.

It concerns the said Chairman's decision to buy a £22,308 stake in a company known as Vauxhall Motors.

A considerable acquisition that trades under the name, the 1989 Senator CD.

The intention behind the purchase is clear for all to see.

It's an affirmation of forward thinking. A clearly stated belief in the advantages of advanced technology.

And in this day and age, technology doesn't come much more advanced than that found on the new Senator CD.

Apply the brakes in an emergency and the ramifications of electronic ABS anti-lock braking make themselves patently clear.

The dangers of slipping and sliding, skidding or skating are dramatically reduced.

This feeling of control is enhanced by the Senator's Advanced Chassis Technology, a suspension system specifically designed to take the suspense out of unexpected swerves.

As for the straight six engine, it's under new management: a Bosch L2 Jetronic system allied to a bank of computers.

Whilst those all-important economic indicators such as fuel consumption and fuel range can be constantly reviewed on the 7-function trip computer.

As one would expect, along with checks, at the press of a button, one can also make choices. Lots of choices.

Whereas the less driven among us may be content with one gearbox, captains of industry can now avail themselves of three.

"Economy" covers normal driving conditions encountered around town. (Tough at the best of times.)

"Winter" is for when climatic conditions take precedence over performance. And "Sports" is for when performance is all.

One can take out similar options on the suspension system.

There is a "Comfort" mode. A stiffer "Sports" mode. And as a compromise between the two, a "Medium" setting.

And as befits a man with the top seat on the board, the seats in the Senator are leather, heated, lumbar adjustable and look out across richly varnished elm trim.

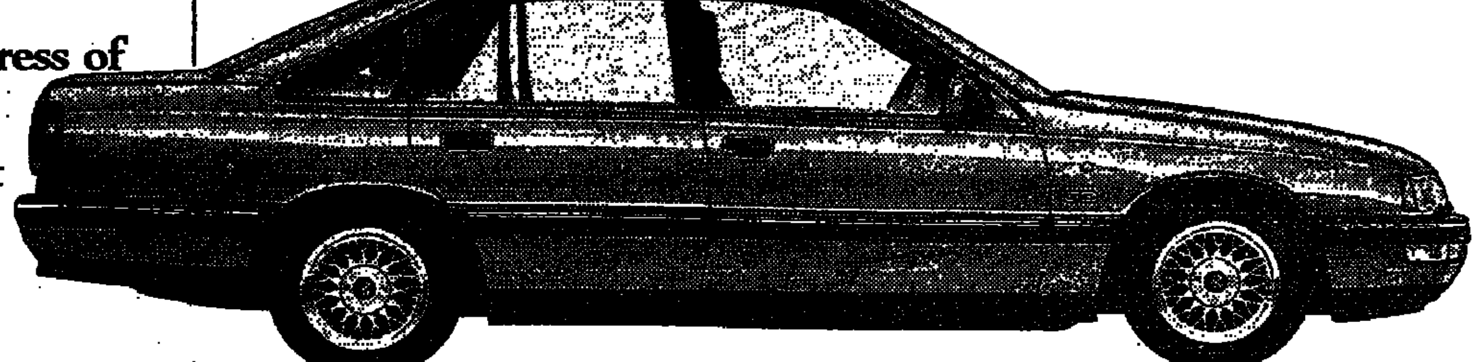
At your beck and call you will also be pleased to find electric mirrors, windows and sunroof, electronic cruise control and, of course, power steering.

In your defence, a deadlock central locking system will keep your investment secure from the attentions of undesirable asset-strippers.

What more is there to report?

Only that with the purchase of the Senator CD, the next few years are bound to be ones of impressive progress.

THE SENATOR CD.



VAUXHALL. ONCE DRIVEN, FOREVER SMITTEN.

VAUXHALL IS BACKED BY THE WORLDWIDE RESOURCES OF GENERAL MOTORS. CAR SHOWN SENATOR 3.0i CD: £22,308. PRICES CORRECT AT TIME OF GOING TO PRESS INCLUDES CAR TAX AND VAT BUT EXCLUDES NUMBER PLATES AND DELIVERY.

VEHICLE FLEET MANAGEMENT 16

Phillip Hastings looks at the new communications technology available for fleet management

New links boost operating efficiency

RAPID advances in the development and application of modern technology are opening up a range of new options for improving communications between vehicles out on the road and their home bases or depots.

Included in that category are much improved mobile radio equipment and direct depot to vehicle computer terminal links. Both are helping fleet operators to boost operating efficiency and, in the case of vehicles involved with distribution activities, improve security.

The most significant current development in mobile radio involves the Band Three Radio system now being introduced throughout the UK. The consortium behind the project is committed to establishing a national mobile radio network covering at least 80 per cent of the population by 1991. At present, the system covers around 60 per cent and has some 8,000 subscribers.

The Band Three Radio network provides voice to voice communications between companies and their drivers on the road. It also provides a Radiotext facility which allows text to be sent over the network and printed out in the vehicles, said a spokesman for the consortium.

Band Three is based on the use of the old 405 line television channels, released by the government for commercial application to ease mounting congestion on other radio frequencies.

It is said to offer a host of improvements over traditional two-way radio systems, including the facility for one company driver to talk direct to another (as opposed to communicating via a base unit), much better reception, faster connection times and complete privacy for the duration of the user's call.

Companies wanting to use Band Three pay for the initial cost of the equipment and then a monthly subscription. Recommended rates for the latter are £16.50 per mobile vehicle for single site coverage and £30 for regional coverage, except for the south east of England where rates are £25 and £37.50 respectively.

Meanwhile, one of the Band Three consortium members, Securicor Communications, is also using its own new regional mobile radio service called Relayfone III. The system uses switched radio technology which is said to eliminate many of the problems of traditional two-way radio systems such as long waits to access a free channel and interrupted or discontinued calls which tend to hamper users of overcrowded frequencies.

Unlike conventional private mobile radio and community repeaters, claims Securicor, Relayfone III operates across a range of channels; therefore loss of one channel would result only in a slightly reduced service level and not a complete loss of communications.

Coach drivers can now keep in touch: Band Three Radio is being introduced throughout the UK

The company is now making Relayfone III available on a commercial basis in areas where it has spare capacity over and above the group's own needs. Two main regions are involved. One is the area on and around the M62 from the Mersey to the Humber and the South West region from Birmingham to Exeter along the M5 with spurs to Cardiff and Swindon along the M4.

Users of the service can opt for just local coverage, for example, the Leeds/Bradford area, or for a full regional service covering one or other of the two regions. There are no call charges, only a fixed charge based on the number of mobiles and the geographical coverage.

Another fast growing area of depot/vehicle communications involves installation of computer terminals and equipment in vehicle cabs to enable information to be transmitted to and from an operational centre.

Cambridge-based Spectronics Micro Systems, for example, now offers a number of products and systems in that field. One of the latest, the S320 mobile data communications controller, is a small low cost intelligent modem designed for use in a vehicle equipped with a conventional mobile radio. It enables the driver to have a two way communication with a remote host computer over the radio link.

The new controller is invaluable for customers who need more than simply two way transfer of information. For example, in the repair/service industries, engineers visiting customers can produce invoices/receipts on the spot, said a spokesman for SMS.

Another system developed by SMS is geared particularly to companies operating express delivery services. Now in use with operators such as DHL and Interlink Express, the system centres on the use of mobile data terminals which can pass printed messages between depot and driver. That, it is claimed, cuts down on time and eliminates the potential errors of verbal radio communication.

A further advantage is that the driver does not have to be in his cab to receive the message, dispensing with unnecessary and time wasting repetitions. Like radio, the system offers two way communication and the driver can send information to base by using an alpha numeric keypad.

In a similar vein, express delivery company Federal Express is installing DADS (Digitally Assisted Despatch System) computer terminals in some 40 London-based collection/delivery vehicles in a move designed to significantly speed up reporting of proof of delivery and collection information.

By using the DADS terminals in their vehicles, FedEx drivers will be able to transmit such information while they are still out on the road. To date they have had to wait until they returned to their depot to download information into the company's main parcels tracking system. Initially, the emphasis with the DADS units is on collecting and transmitting proof of delivery information but a second phase development planned to follow fairly soon will include processing pick up details as well.

Interest is also growing in systems designed to improve the general efficiency of collection/delivery vehicle operations. Among the products now available in the the UK to help with that function is a package called CATS (Computer Aided Transport System), the marketing of which is being handled by Watford based SyFA Data Systems.

Features include an instant non-voice radio link capability to an in-cab unit with job printing facility which operates whether the driver is in attendance or not; detailed location information to the mobile unit and feedback from that unit as to its progress, current status and position without the need for voice contact; enquiry facilities at any point and from any job in the system; immediate status on collection and delivery giving POD prior to the return of hard copy; and production of invoices, etc, if required, and the capability to be linked to any mainframe computer the company might have.

Perth headquarters of General Accident, UK's leading fleet insurer: computer systems now play a prominent role in all aspects of fleet management

VEHICLE TRACKING SYSTEMS

Putting the transport fleet on the map

VEHICLE fleet managers are increasingly looking for ways to improve productivity and security by keeping closer tabs on exactly where their vehicles are at any one time.

First stage in that process involves efficient route planning, an activity which is now often handled using computer-based systems to help evaluate the best pattern of operation for a particular vehicle or fleet of vehicles.

Typical of the sort of package now available to vehicle fleet operators is a system called WhichWay. Marketed by London based company Kingswood, WhichWay uses a map displayed in colour on a personal computer screen to support on the spot route planning, analysis and costing. On an industry standard personal computer, it will handle networks of up to 64,000 road junctions and any number of road links.

Applications include transport cost calculations, driver productivity schemes, route planning for business use or for tourists, and depot location and boundary studies.

Coupled with more efficient route planning, is a growing interest among fleet operators in the possibility of introducing vehicle tracking systems.

Operators can monitor their fleets using an automatic vehicle location system or mobile radio links. There are several methods available, all using different means of location. Essentially, though, they must fulfil the same criteria, which is to give the operator inexpensive and reliable control of the fleet.

One of the newer systems on the market is GEC Tracker which instantly co ordinates a vehicle's position to a geographical location and automatically transmits details to a central control where it is continuously monitored and directed as required.

Developed by GEC Traffic Automation and launched in 1987, the Tracker system comprises an on-board unit called an IVU (In Vehicle Unit), an instation situated in a central control room, and strategically located roadside Eastings and Northings indicators to provide grid references.

When a vehicle passes an indicator, the IVU picks up a signal which allows the on board computer to confirm its position and correct it if necessary. The information can also be relayed back to the central control point for tracking and operational purposes.

Tracker will operate over most communication systems, sending constantly updated positions to a central control point where they are displayed on a conventional road map display which is easy to read and superior to electronic map graphics, GEC Traffic Automation claims.

This enables sensitive vehicles to be constantly monitored, and so provide valuable security or timing checks. Vehicles can also be directed to specific locations with great speed and accuracy.

A second option for vehicle monitoring centres on the use of radio navigation. Such systems have been in use since the Second World War — for instance, DECCA, a maritime navigation aid which is still used extensively in the shipping sector and for private yachts. The latest development in radio navigation is the recently- launched Datatrak, a joint venture involving the Securicor Group and George Wimpey, which using the principle of radio navigation, is able to track the whereabouts and status of collection/delivery vehicles.

Longer-term, development of satellite technology may open up new possibilities for fleet operators requiring automatic tracking of their vehicles.

The system employs a network of low frequency radio transmitters whose signals are received and processed by an in vehicle locator unit to give very high accuracy wherever the vehicle is located.

Datatrak presents the fleet controller with a computerised moving map display of the country showing the precise location of his vehicles. Additional data showing the status of the vehicle can also be displayed, including an emergency alarm facility which will be of great benefit in directing the emergency services to a vehicle.

First UK third party customer for Datatrak is secure parcels carrier, Bondelivery, part of the Rockwood Holdings distribution group, which expects to have the system operating nationwide by the end of this year.

"We are convinced that Datatrak will rapidly repay our investment in it, not just in terms of improved security but also by providing greater flexibility and efficiency in traffic management," Mr Jeremy Furber, managing director of Bondelivery, commented.

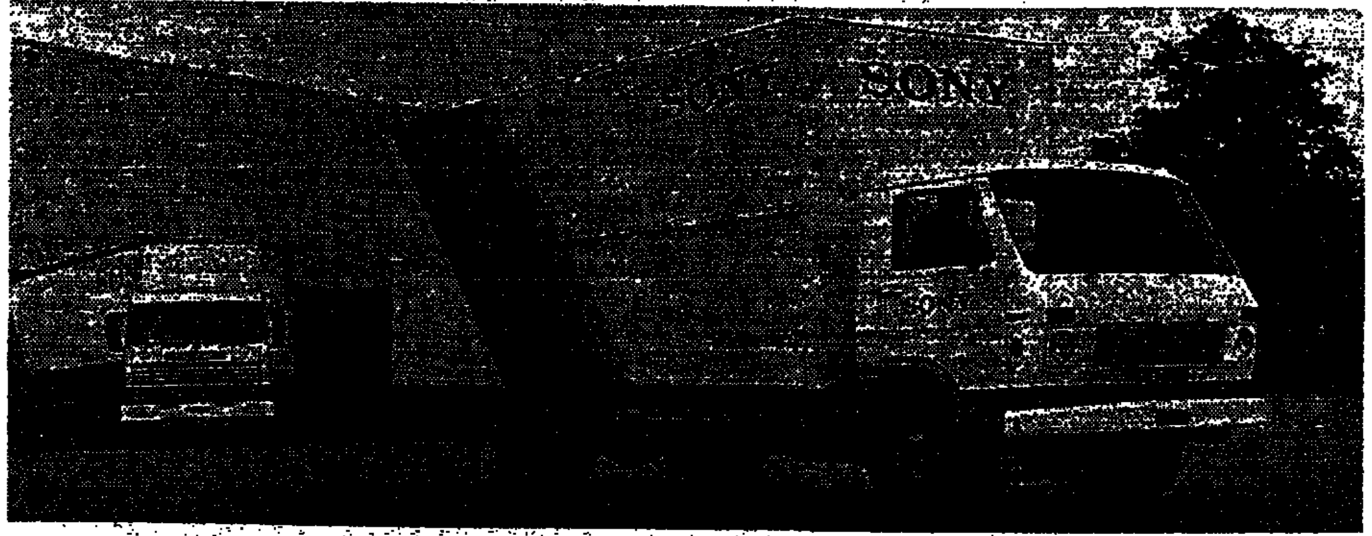
Longer-term, development of satellite technology may open up new possibilities for fleet operators requiring automatic tracking of their vehicles. However, according to Datatrak's Mr Banks, satellites are not yet available and it will be 1995 before the cost of receivers becomes reasonable.

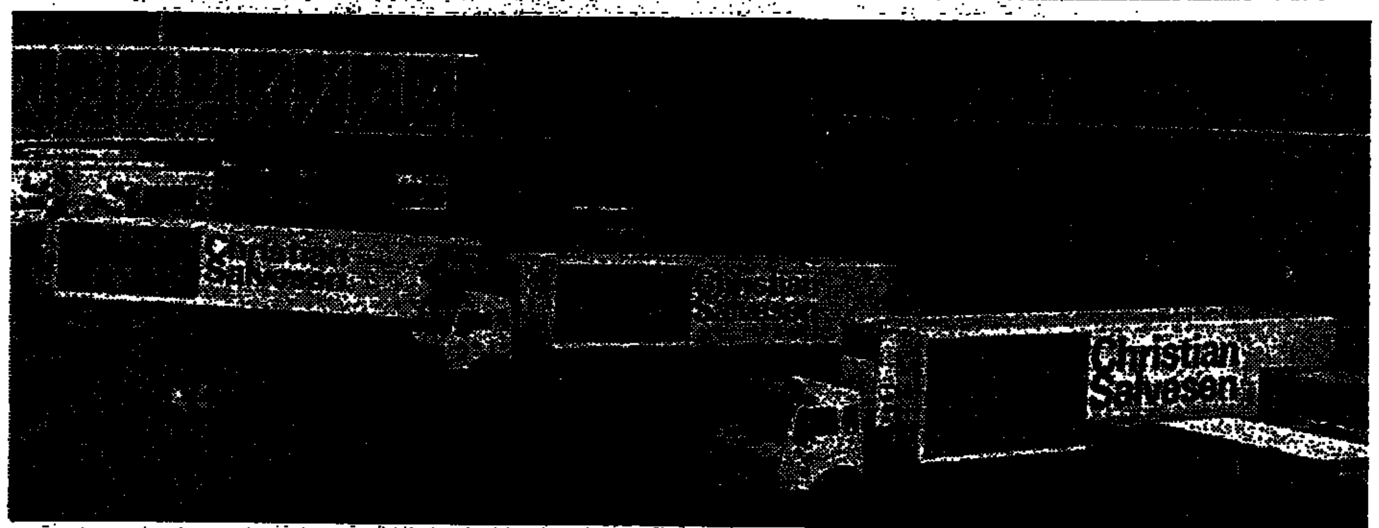
Satellite-based systems also require the receiver antenna to have line of sight to the satellites which becomes virtually impossible in city centres

Phillip Hastings

Kevin Brown looks at the challenges posed by a single European market and the movement of goods

Big opportunities for the distribution industry





■ The steady growth of the European distribution industry raises many important questions on insurance and the need for greater safety: above, right, a safety training seminar for the distribution sector, organised by the Royal Society for the Prevention of Accidents.
■ Pictured, top left: vehicles at Sony UK, the consumer electronics group, which has invested heavily in a 205,000 sq.ft distribution centre for consumer goods at Thatcham. Bees Security Distribution of Hinkley in Leicestershire has helped Sony develop the distribution system which combines an own-account fleet with contracted transport and support services. Stock deployment is so rapid that products can be at retail outlets within 48 hours of landing in the UK.
■ Pictured, lower left, part of the 516-vehicle fleet of Christian Salvesen, insured by General Accident.

THE DISTRIBUTION industry is increasingly looking to the Continent for expansion as it becomes clear that the proposed completion of the European Community single internal market, due in 1992, will open up major opportunities.

The Single European Act, which defines the internal market as "an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured," is almost tailor-made for the efficient UK distribution industry, which has thrived in the deregulated domestic environment.

A recent report from NFC distribution group estimated that the value of the European distribution market would rise by up to 10 per cent a year over the next five years – and could be worth as much as £81bn by 1992.

The European distribution market could be worth up to £81bn by 1992

However, there is still some doubt about how much of the industry will react. A recent survey indicated that although 89 per cent of companies with 26 or more vehicles knew about the single market, only 21 per cent had appointed a manager to plan their response.

Among the other findings of the survey, 60 per cent of respondents thought the single market would increase business, but most of these said they expected international operations to be more costly and less profitable than domestic business.

Many academic experts think this is an unduly pessimistic view, and point out that the UK industry has several significant advantages over its Continental competitors.

For example, UK companies have grown used to operating in a fiercely competitive deregulated market, while many of the Continental markets remain strictly regulated and protected.

By the same token, distribution activity within Europe needs to be rationalised, and UK companies are experienced at developing the sort of sophisticated systems which will be required.

Most of the opportunities will fall to a handful of major companies such as NFC, Transport Development Group, Tibbett and Britten and Christian Salvesen, which dominate the UK distribution industry.

All these companies are major players in the important contract distribution sector, which now accounts for a third of the £8.8bn UK groceries distribution market, and is likely to grow further.

The contract sector illustrates the adaptability of the UK distribution industry, which has carved out a lucrative business by taking on the distribution activities of retailers and manufacturers who want to concentrate on their core activities.

The sector has become increasingly sophisticated as it has embraced logistics, computerisation and information technology, and developed new vehicles such as curtainsiders to cope with the changing demands of the market.

The move to contract distribution in the UK was driven by the increasing dominance of multiple retailers, particularly in the groceries field, as the big supermarket chains changed the face of retailing.

Industry estimates suggest that the multiple retailers now have 69 per cent of the UK groceries market, and that 69 per cent of their distribution business is contracted out.

Both figures are much higher than in comparable EC countries. In West Germany for example, the multiple retailers account for around 50 per cent of the market, with around 15 per cent contracted out; in France 45 per cent and 15 per cent; and in Spain 41 per cent and less than 2 per cent. Only 13 per cent of the Italian market is controlled by multiples, and there is virtually no contract distribution.

The potential for growth in both multiple retailing and contract distribution in these countries provides obvious opportunities in the groceries market for UK companies with large-scale capacity and financial muscle.

But UK experience indicates that the major savings which can be achieved through efficient distribution will lead to ademand for contract distribution from non-food sectors as well.

For example, a number of major retailers have set up out-of-town superstores selling do-it-yourself equipment, and several are now moving towards contracting out their distribution operations.

More generally, the completion of the internal market is likely to lead to a concentration of product ranges in single factories, particularly by manufacturers retailing in more than one Community country.

This will allow economies of scale in production, but would also tend to increase transport and distribution costs for deliveries to retailers in some Community countries. So the siting of factories will depend on the balance of advantages between large-scale production and the added cost of distribution to the remoter parts of the Community.

A side-effect of a move towards a concentration of manufacturing facilities would be a demand for greater uniformity in vehicle loading, especially in pallet sizes, which could mean a change in trailer design in some countries.

At the moment, the UK uses 1000 x 1200 pallets, while most of the rest of Europe uses 1000 by 800. There will also have to be agreement on maximum vehicle weights, which vary throughout the Community from 38 tonnes to 44 tonnes, and action to agree a common maximum height for loads.

A number of other uncertainties remain about the impact of the single market, including doubts about the extent to which West Germany will agree to relax its strict transport regulations.

However, several UK companies have already begun moving into Continental Europe in order to lay the groundwork for operating in the post-1992 environment, and others are considering following suit.

For example, UTI International, the transport subsidiary of BET, has set up an acquisitions team, with a budget thought to be more than £100m. It is scouring the Continent for suitable targets and has already concluded a substantial takeover in France.

Swift Transport Services, part of the LEP Group, has also announced plans for a pan-European distribution network in conjunction with LEP-Swift, a sister company formed to handle the parent group's Continental distribution requirements.

Case study by **Andrew Lawrence** on British Telecom's management of 75,000 vehicles, worth £240m.

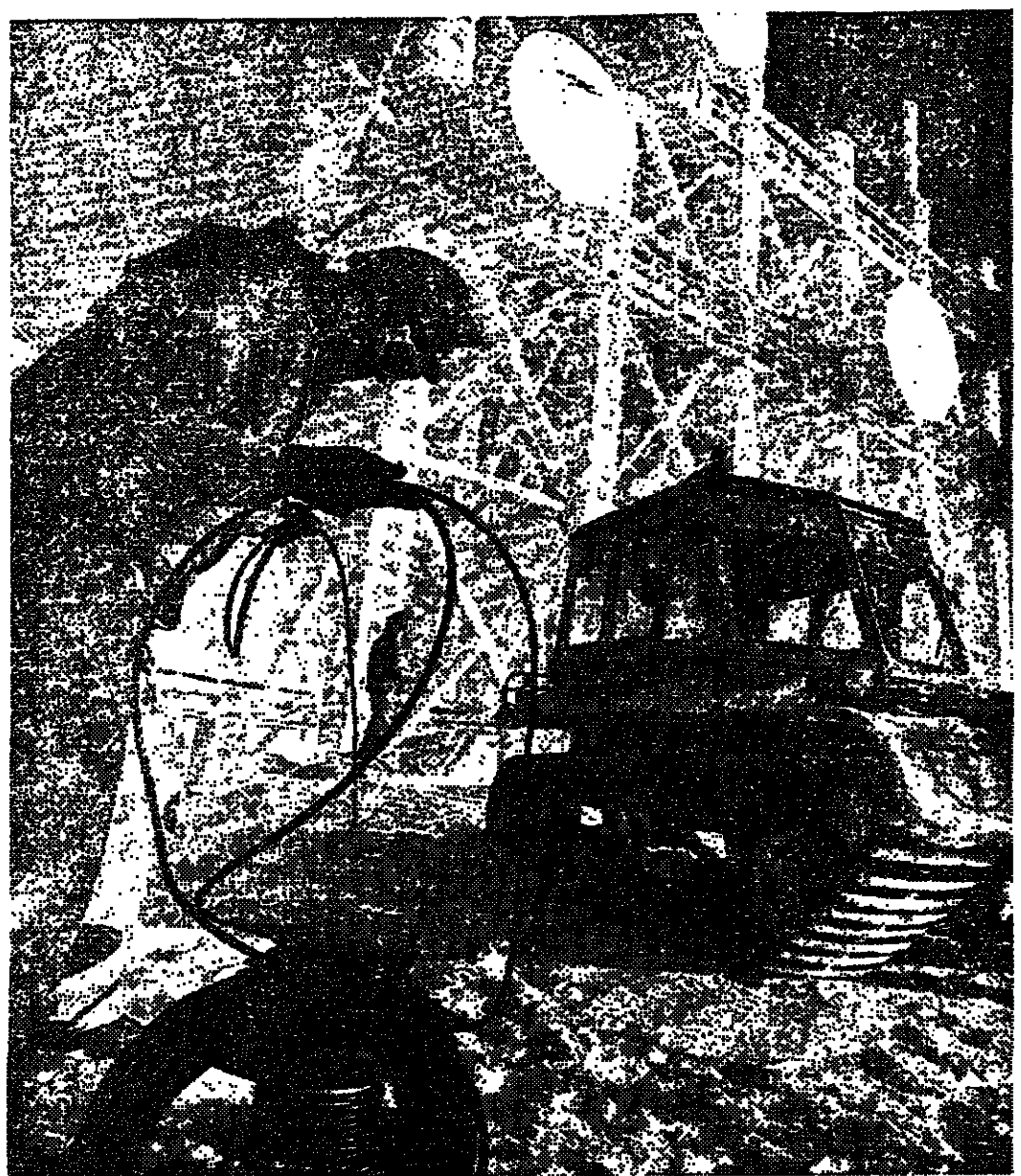
Streamline plan for Europe's largest commercial fleet

A FEW years ago, opinion pollsters in London asked motorists what they thought were the most common causes of traffic delays. At a time when British Telecom was facing a tidal wave of poor publicity, it seemed inevitable that its yellow vans were named as the chief culprits.

The poll cannot have surprised or worried BT's vehicle fleet managers. BT owns the largest commercial vehicle fleet in Europe, valued at some £240m and consisting of some 75,000 vehicles ranging from small vans to large, custom-built construction lorries. Only the army has more.

BT's use of vehicles is unusual. Unlike most fleets, they are not used for ferrying carry goods from A to B – "the majority are mobile toolboxes – they go out and come back full," says Mr Peter Mitchell, general manager of BT's Motor Transport Executive. The average mileage of just 7,500 miles a year underlines the point that they spend most of their time stationary. "If it was higher it would mean we weren't mending telephones," he says.

Managing a fleet the size of BT's requires tight, centralised organisation. The Motor Transport Executive, consisting of 3,200 people, is responsible for buying all the vehicles at a cost of around £70m a year. The executive has training centres, spare part warehouses and a country-wide network of 310 workshops – about 28 in each of BT's nine regions.



Engineers use a 'Snow-trac' vehicle at a BT radio station at the Scottish highlands.

The executive acts, in effect, as a private leasing company, providing its "customers" within BT with a range of services based on rental and service contracts. Although some fleet operators are turning to leasing for financial flexibility and tax advantages, BT has the cash flow and buying power to make outright purchase more cost-effective.

All vehicle users in BT buy through the executive and the executive always deals direct with the manufacturer. But, says Mr Mitchell, "if we were inefficient and it was cheaper to let the customer buy from outside, we would do just that."

The wide variety of vehicles BT uses presents both maintenance and purchasing problems. Currently, it has 5,000 cars, 24,000 light vans, 8,000 vehicles above 1,000 kilograms, 8,000 specialist vehicles, 2,000 trailers and just below 1,000 heavy goods vehicles trucks and trailers.

Although only a small number of suppliers are used – for example, BT uses mainly Peugeot cars and Rover and Ford vans – a large number of models can be in use at any one time because of the low mileage and long life-cycle of many of the vehicles. The shortest economic life for a BT vehicle is six years – while the more specialist vehicles such as those for erecting telephone poles are expected to last 14 years.

BT is trying to use a number of different means to control costs and measure the performance of the fleet. One step involves streamlining the variety of vehicles in use by purchasing larger numbers of vehicles less frequently on "call off" contracts. The purchasing process is now more detailed and lasts longer because the contracts to supply vehicles can last for several years, leading to some aggressive tendering from suppliers who know their chance for a huge contract will come round less often.

"We used to change suppliers on a yearly basis, but we haven't done that for four years," says Mr Mitchell. Even with this policy, the BT Motor Executive still has a catalogue of some 300 new vehicles.

From next year the effort to streamline purchasing will be coupled with a new policy of taking vehicles out of service at the end of their economic life. This will replace a system under which a vehicle is inspected and replaced only when necessary, leading to a situation where some old vehicles stay in service years after most others of the same model have been replaced. Although the new system may mean getting less life out of some vehicles, it will reduce maintenance and management costs.

If a vehicle is still in excellent condition, however, the local manager will have the right to veto its immediate replacement. With this system in place, measuring a vehicle's economic life takes on added importance. BT now purchases on the basis of how much a vehicle will cost over its whole life cycle, rather than just on the purchase price. In order to evaluate the costs over many years, a network of computers is being installed to collect and process information about every vehicle.

One computer system, known as Moveit, has been operational for several years, measuring maintenance, fuel consumption, accident rates and utilisation. This system, operated by the Motor Transport Executive, is now being integrated with the computers operated by the departments which use the vehicles, avoiding duplication and increasing the pool of available vehicle information. The executive can also use the system for management information, comparing region with region and workshop against workshop.

Data collected from the regions has enabled BT to make quick and informed decisions on the phasing out and introduction of vehicles which would previously have been based on a combination of paperwork and guesswork. For example, one old Ford van is to be withdrawn because it is clear that it is no longer economic, while all new vehicles introduced after October this year will use lead-free petrol in preparation for changes in the law.

In rough terrain, a special four-wheel drive tractor is used to lay telephone cables in the Scottish highlands.

Stuart Marshall examines the prospects for diesel cars

The future looks secure

FOR THE first time, more than 100,000 diesel cars were sold in the UK last year. Total registrations were 101,138, an increase of 7,905 on 1987's figure of 93,325.

Diesels accounted for 4.57 per cent of the market compared with 4.8 per cent in 1987. The small loss of share has to be seen against a 10 per cent increase in total car registrations from 2,013,693 in 1987 to 2,215,574 last year.

Throughout the 1980s diesel car sales in Britain have risen every year. At first they almost doubled themselves annually but recently the rate of increase has been slowing.

The dominant manufacturer is PSA. Together, Peugeot and Citroen accounted for 42.13 per cent of last year's sales (42,612 units). Peugeot's 28,302 cars (mainly 205 and 309) beat Ford (27,838 units) into second place, with 27.98 per cent market share against Ford's 27.52 per cent. Only Ford's smaller cars (Fiesta, Escort and Orion) have Ford engines; the 6,443 Sierras which accounted for 23.12 per cent of Ford's diesel sales are powered by bought-in Peugeot engines.

The best-selling diesel car in Britain was the Citroen BX (13,097 registrations and 12.95 per cent of the market), followed by the Peugeot 205 (11,463 registrations and 11.33 per cent market share) and Ford Escort (9,801 and 9.69 per cent).

The fourth most popular diesel car was the new Peugeot 405. Though on sale for little more than half the year, 5,991 units of this Coventry-built car were registered, beating the Ford Fiesta (5,948 units) into fifth place.

Understandably, Peugeot Talbot and its Citroen stablemate take a bullish view of the prospects for diesel cars in Britain.

The Citroen BX's success in winning fleet sales is remarkable for a make that no self-respecting fleet manager would have touched with a 10 ft pole a few years ago. Citroen was then seen as idiosyncratic, with no retained value to speak of. Now, the BX diesel is considered to be a best buy, keenly priced, well-equipped and easy to service.

This year, Peugeot Talbot reckons the 405 will challenge the BX's lead, though the effect of the introduction of the Austin Rover Montego diesel, with a 2-litre, direct injection engine, remains to be seen.

Overall, PSA seems likely to consolidate its hold on the UK diesel car market. Peugeot 405 saloons and estates will be on sale for a full year. The introduction of the small Citroen AX with a new 1,360 cc diesel to replace the Visa D will make more of the 1,769 cc PSA engines available for 205 diesels, for which demand was at times ahead of supply in 1988.

Volkswagen, whose Golf was the first small diesel car with similar drive-ability to a petrol-engined model, saw its UK diesel market share slide by almost 22 per cent last year. So did Vauxhall (13.6 per cent down on 1987). In both cases it was at least partly due to their engine development having failed to keep pace with that of PSA.

Unlike mainland Europe, in Britain small and medium-sized diesel cars sell best.

The only exception to this rule is Mercedes. Of last year's 23,903 Mercedes cars registered in Britain, about 8 per cent, equally divided among the 190 and 200/300 ranges, were diesel powered.

The company car system is mainly responsible for the small proportion of large, executive-style diesels sold in Britain. No country in the world hands out so many cars to company employees as part of an overall salary and benefits package.

Given the choice between a diesel and a petrol-engined car, most user-choosers would prefer the latter for its quicker acceleration, quieter start-up from cold and theoretically higher, though in practical terms unusable, maximum speed.

While a diesel car will cut fuel bills by about 20 per cent – more if used mainly in urban traffic – this does not count for much with user-choosers. They sign for their petrol and the company picks up the tab.

Future moves by the Chancellor to raise taxes on company cars could help diesel car sales. The executive who now runs a large, 20 miles per gallon (14.12 litres/100km) car "on the firm" might think it better to ask for a higher salary and use his own car on company business. A less potent but still comfortable 40 mpg (7.06 l/100 km) diesel begins to look very attractive if the company pays 30p or more per mile for business travel.

This is broadly the situation in mainland European countries, where diesel cars have a much higher penetration. German sales peaked at 770,000 registrations (27.5 per cent market share) in 1986. That was because they offered a financially attractive alternative to medium/large petrol cars when the law first insisted they had full catalytic control of exhaust emissions.

Diesel car sales in Germany have slipped since then but are estimated still to be proportionately four times higher than in Britain.

Worries about the ability of car diesel engines to meet forthcoming stricter emission laws, plus universal availability of lead-free petrol, were contributory causes for the decline. But in France, diesel car sales surged upwards by more than 30 per cent in the first half of 1988. Belgium still has the highest proportion of diesel to petrol car sales at 25 per cent of registrations.

The diesel car is particularly sensitive to government fiscal policy. In most countries the fuel is cheaper than petrol. At the pump, British diesel is about 4p per litre cheaper than super grade petrol; in France the differential is more than twice as great. Italian diesel is even cheaper but a hefty premium on the annual registration fee negates the economy advantage unless high mileages are covered.

The diesel car sector is particularly sensitive to issues over stricter emission laws and to government fiscal policies. In most countries, diesel fuel is cheaper than petrol

The joker in the pack, as Ludvigsen Associates, the London-based consultancy, pointed out in a report forecasting post-1992 automotive industry trends in the EC, is motor fuel tax harmonisation.

Proposals put the tax on diesel in member states at Ecu 177 per 1,000 litres against Ecu 340 for leaded petrol and Ecu 310 for lead-free. If implemented, this would reduce the price of fuel substantially in most countries and make the case for the diesel car that much stronger. Optimists have suggested that Britain's diesel car market share could double (to around 10 per cent) by 1992.

Most manufacturers – especially those who make their own engines rather than buying them in – believe the diesel car's future is secure.

At a major conference on the diesel engine's future held in Wolfsburg, Germany, last November, many of the papers related specifically to passenger car applications. Subjects ranged from "the diesel engine's astonishing capability of development" to improvements in noise reduction and pollution control.

Encapsulation of the engine (pioneered by Mercedes-Benz) significantly reduces external noise levels. Electronically controlled injection equipment, unconventional combustion procedures and filtration of exhaust gas particulates will, it was said, allow the diesel car to meet future environmental legislation.

Modern diesel cars have gone a long way to overcome the engine's inherently lower output per litre cylinder capacity. Turbocharging improves acceleration through the gears and for overtaking. A diesel car with an engine of adequate size – which means about 20 per cent bigger – will have performance comparable with that of a petrol counterpart and will cruise as quietly on motorways.

Both Fiat and Austin Rover have recently introduced diesel cars (Croma and Montego respectively) with turbocharged, direct-injection engines. They produce more power per litre than those with indirect injection. Combustion noise is a problem but can be reduced by sound damping materials. More direct injection car diesels are due for announcement.

The way ahead: Europe's first unleaded petrol station in west London *Tony Andrews*

John Griffiths on the campaign for an environmentally safe fuel

The case for unleaded petrol gathers pace

MUCH TO the satisfaction of the environmental lobby, the use of unleaded petrol is an issue moving from the far fringes of UK vehicle operators' concerns towards centre stage.

The precise rate of progress is likely to be largely determined by next month's UK Budget. It will then become clear whether the Government has acceded to a mounting clamour for the fuel tax differential in favour of "unleaded" to be increased from its current level of around 6p per gallon relative to leaded four-star.

The oil companies and environmentalists argue that the differential at the pumps needs to be widened to 10-12 pence per gallon which, they point out, was the gap needed seriously to accelerate the use of "unleaded" in some Continental markets several years ago.

(Equally, Mr Nigel Lawson, the Chancellor of the Exchequer, might reasonably ask the oil companies to explain more precisely why what starts out as a 10.6p tax subsidy is reduced to 6p by the time it reaches forecourts.)

There is no disagreement about the environmental need to get rid of leaded fuel as quickly as possible.

The lead contained in petrol contributes between 80 and 90 per cent of the abnormal levels of lead in the atmosphere, and lead is a poison which can seriously impair the intellectual development of children and retard the brain's functioning in adults – quite apart from physically damaging the renal system.

Tetraethyl lead has been added to petrol for many years to improve combustion and engine efficiency, and to prevent damaging engine "knock" caused by erratic detonation (the term "lead-free" is a misnomer because leads occurs naturally in petrol). But engine design has developed to the point where it is no longer needed.

The environmental factors alone should provide the incentive to those in the business sector professing a sense of social responsibility to investigate the other merits and feasibility of converting their fleets to run on unleaded fuel – if, indeed, conversion is necessary. All Vauxhalls and Bedfords currently on sale, for example, can run quite happily on either leaded or unleaded fuel.

Based on the current sales of "unleaded" fuel, between 2.5 and 3 per cent of the petrol total, few companies appear to have given the subject much thought.

Another possible explanation, however, is that many others may also have been deterred by the great deal of confusion which still surrounds precisely which vehicles can use the fuel without conversion; which can be cheaply converted to use it, and which can only be run on leaded fuel if engine damage is to be avoided.

A third is that the availability is "unleaded" fuel at the UK's 22,000 filling stations is still low, at about 10 per cent of the total. When allied to the widespread but entirely erroneous belief that a car converted to run on "unleaded" can no longer use ordinary, leaded fuel, the disincentives to use the fuel are considerable.

But the situation is changing rapidly. Texaco and Conoco Jet are just two of the oil majors which have declared they will offer "unleaded" fuel at all their sites by the end of this year.

Both have called on the Government to join in more aggressive campaigns to promote the fuel's use, and Conoco Jet temporarily is providing its own, additional 2p per gallon subsidy on the fuel in the hope that the Chancellor will do the same, or better, in his Budget.

By the end of the year, it is likely that "unleaded" fuel will be available at the vast majority of filling stations, no matter by whom they are owned, in keeping with a commitment made by EC members to have the fuel "widely" available throughout the Community by October of this year.

Meanwhile, in response to requests for clarification from some of its own clients, vehicle leasing and rentals group Interleasing (UK) has carried out its own study of the issue, with particular attention being paid to the commercial implications of using the fuel.

The study deals at length with the types of vehicle which can be adapted to run on the fuel, and why others cannot.

It makes no attempt to provide an exhaustive list of models and their requirements, stressing instead that owners and operators need to make precise checks with manufacturers, dealers or others, such as the oil companies, which publish model-by-model analyses.

It does, however, point out that "unleaded" fuel has an octane rating equivalent to three-star leaded fuel, and that its use will, therefore, involve both some loss of performance and a slight increase in petrol consumption.

"To date, however, none of the manufacturers, franchised dealers or oil companies consulted report any adverse feedback on modified engines except for a slight increase in fuel consumption, which is reportedly outweighed by savings in fuel costs. A slight reduction of performance is noticeable in some top-of-the-range models," the report states.

However, the study warns, the 6p per gallon price advantage of "unleaded" may not be enough to recover the cost of modification to some cars, or the increased fuel consumption.

Overall, it concludes that where the cost of modification is small, involving mostly a change to ignition timing at a charge of less then £25, the cost of conversion could normally be covered in the first 20,000 miles after conversion. Some dealers – like the Quick Group – offer the conversion free, where possible, as part of servicing.

There would be no prospect of recovering the cost of major conversion work – requiring anything between £80 and £600 to be spent on some large luxury models – during the 60,000 miles under which a car might be expected to stay in a company's ownership or on contract hire, the study observes.

Some typical savings which might accrue are given in the accompanying table. However, this does not take account of the marginally increased fuel consumption associated with "unleaded" in cars not designed for it from the outset and for which Interleasing has made no estimates.

Clearly, if Mr Lawson were to increase the tax differential, the savings could be significantly greater.

Best estimates of the Society of Motor Manufacturers and Traders are that up to 70 per cent of the UK's car population of just over 20m could run on "unleaded" fuel, with or without modification.

At the moment, it suggests, motorists are paying an unnecessary 12m extra a week at the pumps by making inadequate use of the fuel.

The issue of removing lead as a pollutant in its own right is almost entirely separate from, but frequently confused with, controlling other car exhaust emissions.

Starting in 1991, cars of over 2 litres in the UK will have to meet stiffer EC emission laws (already in effect elsewhere in the Community) which will require the use of catalytic converters to remove, not lead, but nitrogen oxides, carbon monoxide and hydrocarbons.

The standards also being introduced progressively for smaller cars from that time make it likely that many of them, too, will also require catalysts, although usually simpler ones than the complex three-way "cats" to be required on most vehicles over 2 litres.

All "cat" cars need to use "unleaded" fuel only, for the simple reason that fine particles of lead from combustion would otherwise coat the catalyst and render it ineffective. Otherwise, there is no link whatsoever with the lead pollution issue.

Volkswagen and a few other companies have jumped the EC gun by already offering "cat" cars in the UK, despite the current relatively low availability of "unleaded".

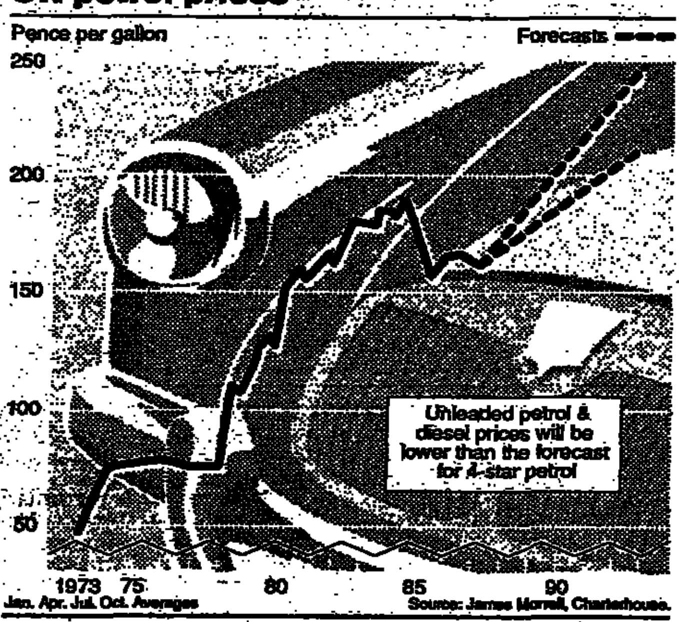
The take-up so far by the environmentally-conscious is low – not least because motorists are being asked to pay between £200 and £600 extra for the "clean" cars. Until catalysts become mandatory, even the more environmentally-conscious companies might find that an expensive pill to swallow.

EXAMPLES OF SAVINGS AT MOTORWAY SPEEDS (75mph)

	MPG at 75mph £	Cost of 4 star per 10,000 miles £	Cost of unleaded per 10,000 miles £	Savings per 10,000 miles £	Savings per 60,000 miles £
Rover 213 5 speed	38.2	439.79	424.08	15.71	94.26
Escort 1.3 5 speed	43.5	386.21	375.18	11.03	66.18
Astra 1.3 5 speed	43.6	385.32	373.84	11.48	68.88
Sierra 1.6 5 speed	39.8	422.11	410.05	12.06	72.36
Cavalier 1.6 5 speed	37.1	452.83	439.35	13.48	80.88
Rover 820i 5 speed	34.3	489.80	472.30	17.50	105.00
Granada 2.0 EFi 5 speed	34.4	488.37	474.42	13.95	83.70
Carlton 2.0i 5 speed	38.2	439.79	426.70	13.09	78.54

Source: Interleasing UK

UK petrol prices



Source: James Morrell, Charterhouse.

The case for unleaded petrol is now moving towards centre stage in the political arena

TRUCKS

Sellers' market encourages the need for more research

DURING 1988 sales of trucks in the UK reached higher levels than in any period since the pre-recession boom year of 1979. Transport companies were compelled to plan their replacement policies and place their orders with dealers well in advance. The alternative was to shop around, not for bargains because they were virtually unobtainable, but for chassis that came somewhere near meeting users' requirements.

Encouragingly, the move back to a seller's market in many key weight sectors has not lulled manufacturers into the sort of complacency which, through the 1970s, led British truck builders to lose over half their domestic market to continental and Scandinavian importers.

Failure to invest sufficiently in product innovations – that is in research and development – meant dated British trucks having to compete with more modern, refined and, in particular, driver-friendly rivals from Sweden, Germany, Holland and Italy.

Those British-based manufacturers which remain have, through force of circumstances, in the buyer's market climate prevailing through most of the 1980s, come into line with their European competitors in acknowledging the need for ongoing R and D. Throughout the world truck manufacturers now pursue a policy of R and D investment linked to turnover – typically at a level of 5 per cent.

Technical improvements, in consequence, come thick and fast as producers seek to keep ahead of the technology game. While haulage companies and other truck users obviously welcome advances in fuel economy, performance and braking efficiency, they are less enthusiastic about the servicing implications.

Greater mechanical – and now electronic – sophistication means that, when problems arise, it takes longer and is certainly more costly to repair components. In many instances, "unit replacement" has become the only viable strategy as operators seek to minimise downtime.

There is also a good deal of scepticism among truck buyers – except owner drivers – about ever more elaborate cabs, which make life more comfortable and pleasant for the man behind the wheel. Such refinements add to the vehicle's price but do little to enhance operational productivity. They might even detract from it, by increasing unladen weight and thus reducing payload.

Among the major contenders in the heavy truck business, ERF, the last remaining all-British vehicle producer of heavy chassis, has made spectacular gains. Its E-series trucks, from the 17-tonne E6 four-wheeler up to the 38-tonne E14 articulated models, have impressed buyers and press road testers alike with the ground made up against foreign competition.

Truck manufacturers worldwide now pursue a policy of R and D investment linked to turnover – typically at a level of 5 per cent. As a result improvements come thick and fast as producers seek to keep ahead of competitors

The Cummins 6 litre B-series engined E6 proved impressive in all departments, except cab access for multi-drop applications. Acceleration was lively, fuel economy was up with the best of the continentals, handling was predictable and in-cab noise was lower than in any previous British 16/17-tonne vehicle.

At 38 tonnes, the maximum all-up weight permitted on British roads, ERF's latest EIO "artic" powered by a new air-to-air intercooled version of Cummins' widely-fitted 10 litre diesel, returned excellent economy figures. Unfortunately perhaps, the increased engine output, up from 290 to 325hp, has barely kept pace with the market's demand for more power. Many buyers of 38-tonne artics are now specifying close to 350hp – up from below 300hp only five years ago.

Continental manufacturers offering a wide spread of engine sizes and powers have been able to adjust their mix of UK imports to satisfy the growing hunger for power by fine-tuning their production schedules. Sweden's Volvo, for instance, the 38-tonne market leader, has substituted its 318hp FL10 model for the smaller-engined 260hp FL7 as customers have gone for more performance.

The two models, both of which are assembled at Volvo's Irvine plant in Scotland as well as in Gothenburg, share the same cab, controversially lower mounted than its predecessor, bringing some initial complaints from drivers that their forward view, over the tops of other vehicles, is restricted.

This prejudice has now largely dissipated, partly through the inexorable upward move in power demand, prompting Volvo customers to trade up to the bigger-cabbed (and bigger-engined) F12, an older model which, following an uplift in power to 400bhp, has emerged from the doldrums.

Volvo's flagship model, the 465hp F16, has yet to make an impact in Britain though the same may be said of its "super power" (over 450hp) rivals. These are Mercedes' 1748 and MAN's 17.462, neither of which is yet freely available in the UK.

Scania, the other Swedish market contender, will later this year introduce a 470hp version of its R143 truck – currently rated at 435hp. Its arrival will have a significance beyond its mere power output; the big Scania will be the first production truck to feature an electronically-controlled fuel-injection system.

Developed by Bosch in Germany, the system continuously monitors running conditions – road speed, engine revs, engine load etc. Response to accelerator pedal movement is modulated accordingly, in the interests of performance and exhaust emissions, but primarily of fuel economy. Scania's 3-series trucks which include the top R143 model, last month won the 1989 "Truck of the Year" award.

Significant changes in all three Scania engines, of 8.5, 11 and 14 litres capacity have enhanced performance and economy levels in the 3-series, whose main challengers for the title were Mercedes' Powerliner 2 heavy trucks, launched in Britain last autumn. The German company is now promoting its heavy chassis much more vigorously in Britain.

Like their Scania rivals, the latest Mercedes are, at first glance, little changed from their predecessors. But engineering advances are considerable. The 14.6 litre Mercedes V8 diesel, already noted for its reliability, now develops in turbo-intercooled form more power than any other truck diesel in Europe – 492hp. Press tests have shown that at 38 or 40 tonnes it is working with so much performance in reserve that fuel consumption can match many trucks with 100hp less under their cabs.

Mercedes and Scania have completely revised their cab interiors, putting new emphasis on crew comfort and convenience – a move calculated to appeal especially to the many entrepreneurial owner-driver hauliers whose trucks represent images of success.

Driver appeal also figures strongly behind the design philosophy of other new heavy trucks now going into UK service, like Seddon Atkinson's Strato range and the rival whose cab it shares: the DAF 95-series from Holland, whose owner-driver appeal is limited by its most powerful engine developing "only" 383bhp.

Iveco, the Fiat subsidiary which now controls Ford truck activities in Britain, remains a strong contender in the 38 tonne sector. The Cummins 10 litre-engined Ford Cargo tractor models sell on their competitively low price and unladen weight. The top model Iveco Turbostars, on the other hand, appeal most to the prestige-conscious owner-driver.

Alan Bunting

Stuart Marshall highlights a selection of new offerings

More cars of merit in all classes

FOR NEW cars, 1988 was a vintage year. In all classes, major manufacturers either launched brand-new models or updated existing ones to increase their appeal to fleet buyers and user-choosers alike.

And the process has not stopped. This year will see another heavy crop of new cars of real merit.

Alfa Romeo's 164 was the last of four cars based on the same platform and sharing some major body components to arrive; the others in order of appearance were the Saab 9000, Lancia Thema and Fiat Croma.

The 164 has the best engine of the lot, a 3-litre V6 combining massive low speed torque with the ability to spin sweetly at high revolutions. Only a manual gearbox is offered at present and discretion is needed in the lower gears to maintain tyre grip on wet roads. It rides beautifully, is lavishly equipped and keenly priced.

So are the Lancia Thema and Fiat Croma. Saab offers an expensive, luxury version of its 2-litre, 16 valve, turbocharged and intercooled engined 9000CDE but has two most agreeable naturally aspirated versions at much lower prices. The 9000i costs £11,000 less than the CDE and just sneaks into the under £15,500 price band. It lacks a few goodies like power windows but these may be had on the 9000iS at £17,795.

There is no indication when Audi's V8 engined, Quattro transmission flagship will reach Britain. It has automatic transmission as standard, a classic leather and wood veneer interior and would cost more than £35,000 if imported now.

Audi's new 5-cylinder, 2.2 litre coupe, with front-wheel or four-wheel drive, looks nice, seats four and has modest luggage space. On the morning after a November blizzard in Bavaria, a Quattro coupe felt equally reassuring on minor roads deep in snow as it did at high speed on the cleared Autobahn.

The BMW 5-Series, introduced early in 1988, still sets the standard for management cars in the £16,000 to £26,000 brackets. For me, it is the best car in its class, with the ride of a limousine and the spirit of a sports car. Boardroom-level company car drivers can look forward to a shorter wheelbase version of the peerless V12 engined BMW 750, due in the UK in the spring at £48,250, and the fastest of all 5-Series variants, a 3.5 litre 535 Sport.

The car that allowed Citroen to increase its penetration of the fleet market by 170 per cent last year to 19,000 vehicles was the BX. Most popular version with fleet buyers was the high-performing BX19 GTi, but all demonstrate that the ride and handling benefits of sophisticated self-levelling suspension can be provided at a realistic price. Forthcoming availability of the small and exceptionally economical AX diesel must give a further boost to Citroen's fleet business. The XM replacement for the veteran CX arrives later this year.

Fiat's Tipo (Car of the Year 1989) deserves to make inroads into the fleet segment dominated by the Escort and Golf hatchbacks. Its styling is a little controversial but a body sheil made largely of galvanised steel should keep retained values high. It is roomy within, compact without, rides well and has a variety of petrol and diesel engines.

The new Renault 19, due in the UK shortly, will also provide competition for the well-established Escort and Golf as well as the Tipo. Though a little smaller than the Tipo, it is bound to undercut it in price and it looks as fresh and modern as its obvious rivals are beginning to look dated.

The long-awaited Fiesta replacement joins the Ford range in April. For the first time, Ford will offer four passenger doors on its smallest, cheapest car. Its styling similarities to Peugeot's best-selling 205 will probably do it no harm at all. The Sierra and Granada have matured well. The 3-box Sierra Sapphire's customer appeal points to the welcome a Granada saloon derivative will receive when it appears, possibly in the autumn.

Honda's links with Austin Rover Group created the Rover 200 series cars (in effect British-made Honda Ballades, some with ARG engines). They are pleasant cars, regularly in the top ten registrations league, but are to be replaced by a new model, the Rover 400, this autumn.

The Rover 400 will be an ARG built Honda Concerto, which succeeded the Ballade in Japan last year. Power units will include the revolutionary new ARG K-Series engine. ARG will also make Honda-badged Concertos for the UK and European markets, powered by Honda engines made at the new Swindon plant.

There is still no V12 engined version of the XJ40 Jaguar saloon, chosen as 1988 Boardroom Car of the Year by nearly 1,000 UK company fleet managers. It is coming, but not yet. Before it arrives the current 2.9 and 3.6 litre engines will have been enlarged to upgrade the performance of these traditionally furnished cars which have few rivals and no peers for comfort and silence.

Mercedes Benz updated its 190 range in mid-year, making it look more like the larger 200-300 and S-Class cars and adding a new sporty version with a 2.5 litre engine of nearly 200 horsepower. There has been a welcome increase in standard equipment levels and ABS brakes (now part of the package on all 200/300 cars) are a modestly priced (£550) extra on the 190. Mercedes has been developing a number of new multi-valve engines; the first will be seen in the SL sports car due to make its debut at the Geneva show in March.

Nissan's British-built Bluebird has become so European it even has its turn signal and lighting switch on the left, with the wiper control on the right, whereas all Japanese cars with right-hand drive have them the other way round. Sales of the Bluebird have been increasing steadily — to more than 40,000 last year — due to its lavish equipment, reputation for reliability and modest prices. Its styling is pedestrian but in every important respect it compares well with class rivals.

The Coventry-built Peugeot 405, runaway winner of Car of the Year 1988 award, scored nearly 30,000 registrations in Britain in 1988 though the saloon was on sale only half the year and the estate for just a few weeks. Versions include a potent 16-valve and diesels (naturally aspirated and turbocharged) which combine ample performance with economy and ride comfort. Clever rear suspension design gives the estate version an exceptional amount of unobstructed load space.

Rover Group's 800 series became available last summer with a hatchback body as an alternative to the normal 4-door saloon. It has additional carrying capacity and performs with the same elegance and vigour as the saloon. Giving the top Sterling and Vitesse models a larger capacity, 2.7 litre version of the Honda-supplied V6 and a new automatic transmission has made them much more enjoyable to drive.

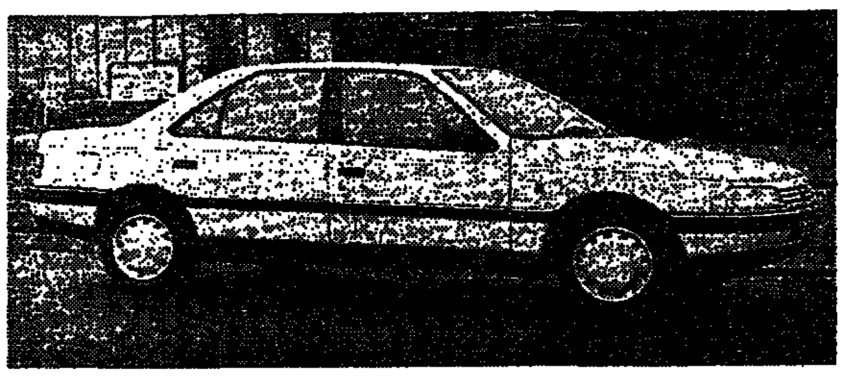
Vauxhall is expecting great things of its new Cavalier and seems unlikely to be disappointed. The cars, with engines from 1.6 to 2-litres capacity and outputs between 57 and 156 horsepower, should suit all kinds of user from the high-mileage rep to the youthful middle manager who likes to get a move on. There is even a 2-litre, 130 horsepower Cavalier with permanently engaged four-wheel drive; it is the cheapest car of its kind on the market at £11,749.

A new and particularly effective 4-speed, electronically controlled automatic transmission is based on that fitted to the Senator. It has economy and performance modes and can be made to start in third gear to reduce the risk of wheelspin in the snow.

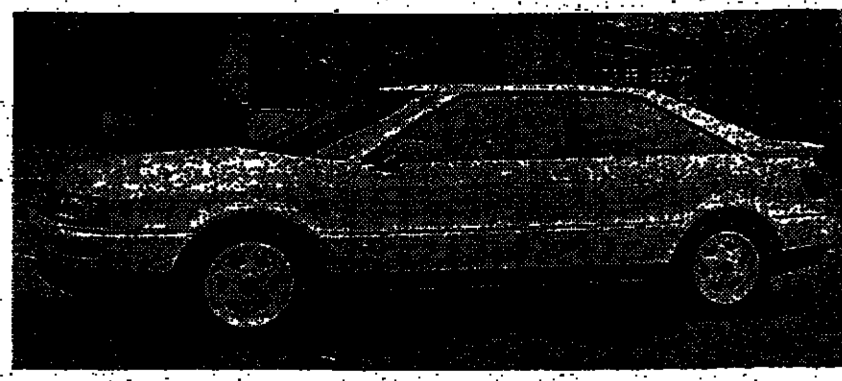
The new Volkswagen Passat saloon impresses as solidly built, roomy and refined though the first examples were geared for Autobahn cruising rather than the cut and thrust of crowded and speed-limited British roads. As a result, they seemed to lack vigour unless the 5-speed box was freely used.

Britain is now Volvo's largest market after the US. Most demand is for the 300 Series (43,800 last year) but sales of the big 700/200 Series were only 2,500 behind those of the class leading Ford Granada. The new front-drive 440 model, with similar mechanicals to the 480ES coupe, will eventually replace the 300, but not for several years. It arrives in the UK in April.

One of the best buys for user-choosers who care little for fashion but set great store on comfort, reliability and durability is still the 2-litre engined, power steered 240GL saloon at £11,375.

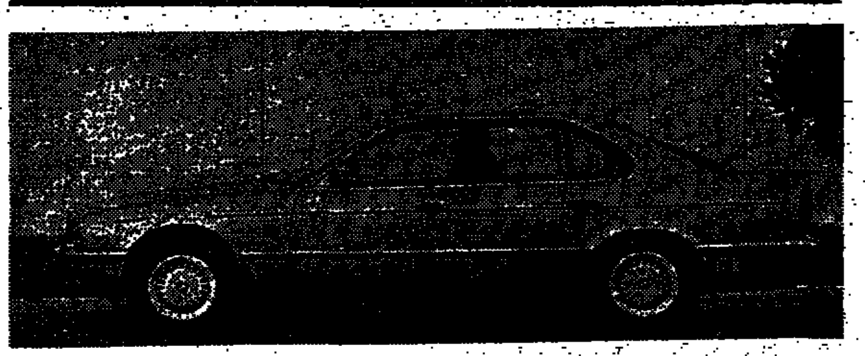


TOP LEFT: The Peugeot 405, built at Coventry, is offered with a wide choice of petrol and diesel engines.



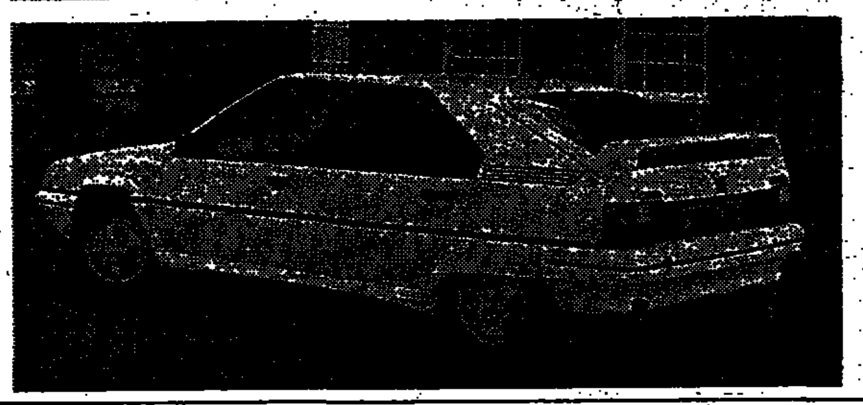
TOP RIGHT: The new Audi Coupe quattro. Not much luggage space but very safe to drive on slippery roads.

CENTRE, LEFT: The Volkswagen Passat is solidly built, refined and roomy. This GT version has a 16- valve, 136 horsepower engine.



CENTRE, RIGHT: Still the one to beat for management level user-choosers — the BMW 5-Series with engines of 2 litres to 3.5 litres.

LOWER LEFT: British-built, lavishly equipped and with an excellent reputation for reliability — the Nissan Bluebird.



LOWER RIGHT: Citroen's fleet best-seller is the BX. This is the very high performance version with a 16-valve engine.